REPORT

OF THE

LOCAL TAX COLLECTION AND DISTRIBUTION WORKING GROUP

December 2012

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EXECUTIVE SUMMARY

In May 2012, the State Budget Committee decided to seek an independent audit of the Indiana Department of Revenue (DoR) in response to the discovery of two programming errors that led to an incorrect accounting of state and local tax revenues. In addition, the State Budget Committee formed the Local Tax Collection and Distribution Working Group ("Group") to: (1) act as a liaison between the selected audit firm and local officials and (2) to examine the collection and distribution of all local tax revenues that pass through state government.

The State Budget Committee directed the Group to do the following:

1. Serve as a resource to the auditing firm on local tax collection and distribution issues;

2. Receive periodic updates from the selected firm on the audit of the DoR as it relates to local tax collection and distribution;

3. Study the state collection and distribution processes of all local tax revenues;

4. Provide suggestions for improvements to the state tax collection and distribution of local revenues;

5. Serve as a bridge between the state and members of the Association of Indiana Counties (AIC) and the Indiana Association of Cities and Towns (IACT); and

6. Receive suggestions from AIC and IACT members on improvements that can be made to the process of collecting and distributing local taxes.

The Group consists of representatives from the four legislative caucuses, the DoR, the State Budget Agency (SBA), the State Auditor (AOS), and two individuals representing local government.

Over the course of six months, June - December 2012, the Group met 15 times and reviewed the state collection and distribution of 29 local taxes and fees. Each local tax and fee was discussed and analyzed with a detailed review of the individual steps in the collection and distribution. Through these discussions, a process map of each tax and fee was created and is included in this report. The Group also identified issues and concerns for each tax and fee and attempted to identity recommendations to address each issue and concern. A listing of the findings and recommendations can be found at the end of the description of each tax and fee.

In collecting its findings and recommendations, the Group included whether each finding and recommendation can be done administratively, if legislative action is required, or if both administrative and legislative action should take place. The Group also included if it will take an effort of (1) minor; (2) moderate; or (3) hard to implement each improvement.

The Group hopes that this report will serve as a valuable resource for state and local units to gain a better understanding of the steps and processes involved at both the state and the local levels of government to collect and distribute local taxes and fees.

A major driving force for the Group's creation was the errors centered around the collection and distribution of the local option income tax (LOIT). Because of this focus and their importance, the findings and recommendations on the LOIT are reported more prominently here in the executive summary.

Through the LOIT discussions, a general consensus was quickly reached by the Group – every dollar raised by a governmental unit, whether local or state, should be distributed to the appropriate authorizing unit. This consensus was reached by the Group with little debate and unanimously. The less successful debate centered around the best approach to accomplish allocating each dollar to the appropriate governmental unit.

The current allocation of LOIT focuses on allocations based on the reconciled annual returns filed by individuals. This annual return based allocation is supported by the current data that is collected by the DoR and represents the best information that the DoR has on the appropriate amount of revenues collected by the state on behalf of the local unit. While this may be the best information available, it is not without short comings. The current allocation process creates a period of time between the authorization of the LOIT tax and the collection of complete data on the revenues collected by that tax. This period of time could be as long as 18 months. The current process may also inappropriately allocate LOIT dollars to the state and inappropriately allocate state dollars to local income units. Any inappropriate allocation violates the consensus reached by the Group.

The following findings are examples of when an inappropriate allocation occurs.

Finding: To the extent that withholdings are withheld from local income taxpayers during the course of their employment and those taxpayers never file an annual return, or local income taxpayers pay estimated local income taxes to the DoR and never file an annual return, those local income tax dollars are never distributed back to the local unit and retained by the state.

Finding: To the extent that the total local income tax liability is not fully paid by the taxpayer or their employer on the behalf of the employee, either through a partial payment at the time of filing the return or through a check which is returned for nonsufficient funds, the state is fully funding the distribution of that local income tax to the local unit.

Finding: To the extent that a local income taxpayer files an annual tax return with a credit against their local income tax liability, (i.e., credit for local taxes paid outside of Indiana, county credit for the elderly, community revitalization enhancement district credit, or voluntary remediation credit) the credit is not applied against the local income tax liability and the state over distributes to the local unit. The local distribution of local income tax is based on the county tax calculated on schedule CT-40, prior to the applications of the local tax credits.

Finding: The aforementioned findings cannot be adequately addressed without substantial changes to the data collected by employers at the time of reporting withholdings to the state, to the annual tax returns filed by local income tax payers, and to the systems and processes of the DoR in support of collecting and distributing local income tax dollars.

Finding: Improvements in the communication between local units and the state, and improvements in the transparency and reporting of data would be helpful to both local units and to the state.

Recommendation: The state, in cooperation with the local units, should strive to reach the Group's consensus of appropriately distributing every tax dollar.

Recommendation: As part of the state's annual revenue forecasting process, the state should provide to each county, an estimation of the county's LOIT collections, distributions, and trust fund balance through the period of time for which the state is forecasting revenues. In December of each even year, the estimates provided to each county would project out 3 years. In December of odd years, the estimates provided would project out 2 years.

Recommendation: The state should place in special reserve accounts within the state general fund, an aggregate amount of the projected local income tax revenues that are collected monthly by the state. The monthly amount to be placed in the segregated accounts should be based on state and local revenue forecasts and should represent both the estimated certified distributions and the excess collections over the projected distributions. The monthly distributions and any supplemental distributions to the local units, should be made from the appropriate special reserve accounts.

Recommendation: Any interest earned by these local funds temporarily held in trust by the state should be proportionally allocated to each county and included in future distributions.

Recommendation: A supplemental distribution of local income tax should occur when the balance in a county's trust balance report exceeds 50% of the certified distribution. The 50% balance requirement should be sufficient to maintain sufficient reserve through the economic cycles.

I. INTRODUCTION AND REASONS FOR STUDY.

In May 2012, the State Budget Committee decided to seek an independent audit of the Indiana Department of Revenue (DoR) in response to the discovery of two programming errors that led to an incorrect accounting of state and local tax revenues. In addition, the State Budget Committee formed the Local Tax Collection and Distribution Working Group ("Group") to act as a liaison between the selected audit firm and local officials and to examine the collection and distribution of all local tax revenues that pass through state government.

The State Budget Committee directed the Group to do the following:

1. Serve as a resource to the auditing firm on local tax collection and distribution issues;

2. Receive periodic updates from the selected firm on the audit of the DoR as it relates to local tax collection and distribution;

3. Study the process of the state collection and distribution of all local tax revenues;

4. Provide suggestions for improvements to the state tax collection and distribution of local revenues;

5. Serve as a bridge between the state and members of the Association of Indiana Counties (AIC) and the Indiana Association of Cities and Towns (IACT); and

6. Receive suggestions from AIC and IACT members on improvements that can be made to the process of collecting and distributing local taxes.

The goal of this study is to assure local governments and constituents that each local government is getting its correct distribution, provide more information and transparency in order for local entities to better evaluate their future revenue amounts, and provide recommendations on how to improve Indiana's tax collection and distribution of local revenues.

The Group consists of representatives from the four legislative caucuses, the DoR, the State Budget Agency (SBA), the State Auditor (AOS), and two individuals representing local government.

II. SUMMARY OF PROGRAM.

The Group met this year on the following dates:

May 22	June 12	July 12	August 14	September 24	October 3	November 9	December 7
	June 25	July 30	August 27		October 16	November 19	
					October 22	November 26	

All fifteen meetings were held in the Indiana State House in Indianapolis.

Over the course of the past six months, the Group has done the following:

1. Reviewed the processes for the following 29 taxes and fees or distribution: (1) Aircraft License Excise Tax; (2) Alcoholic Beverage Permits; (3) Alcoholic Beverage Tax; (4) Auto Rental Excise Tax; (5) Certified Technology Park (CTP); (6) Cigarette and Tobacco Products Tax; (7) Commercial Vehicle Excise Tax; (8) Community Revitalization Enhancement District (CRED); (9) County Adjusted Gross Income Tax (CAGIT); (10) County Economic Development Income Tax (CEDIT); (11) County Motor Vehicle Excise Surtax; (12) County Option Income Tax (COIT); (13) County Slot Machine Wagering Fee; (14) County Wheel Tax; (15) Financial Institutions Tax; (16) Food and Beverage Tax; (17) Gasoline Tax; (18) Hazardous Waste Disposal Tax; (19) Inheritance Tax; (20) Innkeeper's Tax; (21) Motor Carrier Surcharge Tax; (22) Motor Vehicle Excise Tax; (23) Pari-Mutuel Admissions Tax; (24) Professional Sports and Convention Development Areas; (25) Recreational Vehicle and Truck Camper Excise Tax; (26) Riverboat Admissions Tax; (27) Riverboat Wagering Tax; (28) Special Fuel Tax; and (29) Watercraft Excise Tax.

2. Mapped each of the taxes and fees and their distribution to follow all the steps and formulas that apply from the time each is collected to the final distribution.

3. Assured that the processes and procedures are in accordance with the statutes that prescribe the taxes and fees and their distribution.

4. Developed a comprehensive list of the Group's issues and concerns with the state's current collection and distribution processes and procedures.

5. Categorized the issues and concerns into findings and recommendations.

6. Established a key to explain the effort it will take to remediate the issues and concerns, and targeted each issue and concern as a legislative or administrative task.

7. Made recommendations to improve the state tax collection and distribution of local revenues.

III. TAXES AND FEES COLLECTION AND DISTRIBUTION PROCESSES; FINDINGS AND RECOMMENDATIONS.

A. Local Option Income Taxes.

1. County Adjusted Gross Income Tax (CAGIT).

   Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations,* pgs. 61-64 (Fiscal Year 2011).

   a. Statutory Authority. Ind. Code § 6-3.5-1.1.

b. Taxpayer. An individual who on January 1 resides in a taxing county, or who maintains their principal place of employment or business in a taxing county but does not reside in a county that imposes the GAGIT, the County Option Income Tax (COIT), or the County Economic Development Income Tax (CEDIT).

c. Tax Base. Indiana Individual AGI.

d. Rate. 0.25% for nonresident county taxpayers, and 0.5%, 0.75%, or 1% for resident county taxpayers (according to the election of each county council). If a county council elects to decrease its CAGIT rate, it may do so by increments of 0.1%.

e. Procedure. CAGIT is paid to the DoR at the same time as the taxpayer pays their Indiana Individual AGIT.

f. Certified Distribution. The amount of CAGIT revenue to be distributed to a county during an ensuing calendar year equals the amount of revenue the SBA determines was reported and actually received from the county in the tax year ending before the calendar year in which the determination is made. The amount is determined based on reported collections less any refunds made for over-collection of the tax before July 1 of the year in which the determination is made. This amount, with refunds accounted for, is certified to the county auditor.

g. Adjustments to Certified Distribution. The SBA may certify to an adopting county an amount that is less than the amount reported and processed if such action is determined necessary to offset overpayments made in previous calendar year certified distributions. Before November 2 each year, the SBA must determine if the balance in a county's account exceeds 150% of the amount necessary for certified distributions to the county in the ensuing year. The excess balance is paid in a supplemental distribution in January following the determination. The supplemental distribution must be allocated in the same manner as certified distributions. The part of a supplemental distribution that is attributable to an additional rate shall be used for the purpose specified in statute authorizing the additional rate and is not required to be deposited in the unit's rainy day fund.

h. Distribution of Revenue. The certified distribution is received by the county treasurer and is distributed to taxing units as local property tax replacement credits (LPTRC) and certified shares. The allocation of LPTRC and certified shares to taxing units is based on the taxing unit's property tax levy.

i. Allocation. The certified distribution is allocated to each county treasurer from a CAGIT special account (within the state General Fund) in equal shares on a monthly basis. There is a special quarterly allocation schedule for Porter County the first 18 months after a tax goes into effect. Before November 2 of each year, the SBA must notify each county auditor of the balance in that county's account at the end of the preceding year.

j. Authorization. Indiana General Assembly.

k. Administration. Income Tax Division of the DoR and the State Budget Agency.

2. County Economic Development Income Tax (CEDIT).

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations,* pgs. 64-68 (Fiscal Year 2011).

a. Statutory Authority. Ind. Code § 6-3.5-7.

b. Taxpayer. An individual who on January 1 resides in a taxing county, or who maintains their principal place of employment or business in a taxing county but does not reside in a county that imposes the CAGIT, the COIT, or the CEDIT.

c. Tax Base. Indiana Individual AGI.

d. Tax Rates. CEDIT may be imposed at the following tax rates: 0.1%, 0.2%, 0.25%, 0.3%, 0.35%, 0.4%, 0.45%, and 0.5% (with certain exceptions). In counties that impose CAGIT and CEDIT, the combined rates may not exceed 1.25% (with certain exceptions). In COIT counties, the combined COIT/CEDIT rate may not exceed 1% (with certain exceptions). Counties decreasing their CAGIT or COIT rates may not adopt CEDIT or increase their CEDIT rates in the same year.

e. Procedure. CEDIT is paid to the DoR at the same time as the taxpayer pays their state's Individual AGIT.

f. Certified Distribution. The amount of CEDIT revenue to be distributed to a county during an ensuing calendar year equals the amount of revenue the SBA determines was reported and actually received from the county in the tax year ending before the calendar year in which the determination is made. The amount is determined based on reported collections less any refunds made for overcollection of the tax before July 1 of the year in which the determination is made. This amount, less refunds, is certified to the county auditor and the DLGF by September 1 each year.

g. Adjustments to Certified Distribution. The SBA may certify to an adopting county an amount that is less than the amount reported and processed if such action is necessary to offset overpayments made in previous calendar year certified distributions. Before October 2 each year, the SBA must determine if the balance in a county's account exceeds 150% of the amount necessary for certified distributions to the county in the ensuing year. The excess balance is paid in a supplemental distribution in January following the determination. The supplemental distribution must be allocated in the same manner as certified distributions. The part of a supplemental distribution that is attributable to an additional rate shall be used for the purpose specified in statute authorizing the additional rate and is not required to be deposited in the unit's rainy day fund.

h. Allocation. The certified distribution is allocated to the county auditor from a CEDIT special county account (within the state General Fund) for distribution to counties, cities, and towns that have a capital improvement plan. Uses of revenue include economic development, capital projects, private developer loan interest, for a regional venture capital fund, or any other lawful purpose under which any other fund may be used.

i. Authorization. Indiana General Assembly.

j. Administration. Income Tax Division of the DoR, and the SBA.

3. <u>County Option Income Tax (COIT)</u>.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 68-71 (Fiscal Year 2011).

a. Statutory Authority. Ind. Code § 6-3.5-6.

b. Taxpayer. An individual who on January 1 resides in a taxing county, or who maintains their principal place of employment or business in a taxing county but does not reside in a county that imposes the CAGIT, the COIT, or the CEDIT.

c. Tax Base. Indiana Individual AGI.

d. Tax Rate. It is 0.2% initially for resident county taxpayers (according to the election of each county income tax council) increasing by 0.1% each year until the rate equals 0.6%. After reaching 0.6%, the county income tax council may pass an ordinance to increase the tax rate by 0.1% each year until reaching a maximum tax rate of 1%. County income tax councils, by ordinance, may also decrease or freeze their COIT rates. The COIT rate in effect for nonresident county taxpayers is at all times one-fourth of the tax rate imposed upon resident county taxpayers.

e. Procedure. COIT is paid to the DoR at the same time as the taxpayer pays their Indiana Individual AGIT.

f. Certified Distribution. The amount of COIT revenue to be distributed to a county during an ensuing calendar year equals the amount of revenue the SBA determines was reported and actually received from the county in the tax year ending before the calendar year in which the determination is made. The amount is determined based on reported collections less any refunds made for overcollection of the tax before July 1 of the year in which the determination is made. This amount, with refunds accounted for, is certified to the county auditor and the DLGF by September 1 each year.

g. Adjustments to Certified Distribution. The SBA may certify to an adopting county an amount that is less than the amount reported and processed if such action is necessary to offset overpayments made in previous calendar year certified distributions. Before October 2 each year, the SBA must determine if the balance in a county's account exceeds 150% of the amount necessary for certified distributions to the county in the ensuing year. The excess balance is paid in a supplemental distribution in January following the determination. The supplemental distribution must be allocated in the same manner as certified distributions. The part of a supplemental distribution that is attributable to an additional rate shall be used for the purpose specified in statute authorizing the additional rate and is not required to be deposited in the unit's rainy day fund.

h. Distribution of Revenue. COIT revenue received by the county auditor can be used for the following purposes: (1) to replace property tax revenue lost by taxing units and school corporations due to the allowance of an increased homestead credit; (2) to fund the operation of public communications systems and computer facilities districts; (3) to fund the operation of public transportation corporations; (4) to finance certain economic development project bonds; (5) to fund certain redevelopment initiatives in Marion County; and (6) to make allocations of distributive shares to civil taxing units.

i. Allocation. One-twelfth of the certified distribution is allocated to each county treasurer on the first day of each month from a COIT special county account within the state General Fund. Before October 2 of each year, the SBA must notify each county auditor of the balance in that county's account at the end of the preceding year. Before October 2 of each year, the SBA must notify each county auditor of the balance in that county's account at the end of the preceding year.

j. Authorization. Indiana General Assembly.

k. Administration. Income Tax Division of the DoR, and the State Budget Agency.

4. Findings and Recommendations.

In collecting all of its findings and recommendations, the Group included whether each finding and recommendation can be done administratively, if legislative action is required, or if both administrative and legislative action should take place. The Group also included if it will take an effort of (1) minor; (2) moderate; or (3) hard to implement each improvement.

a. <u>Finding</u>. Currently, counties can change their tax rates until Nov. 1st and have that changed tax rate become effective in the current year. The SBA is required to certify the distributions to local units for the subsequent year by August 2. If a local unit changes their tax rate after certified distributions are calculated by the SBA (Aug. 2nd deadline), the SBA is required to recertify the subsequent year's distribution. Also, if a local unit changes their tax rate after the DoR has notified the tax form vendors, there is a risk that the current year tax forms will not have the appropriate tax rate. Recommendation. The Group recommends that the statutory tax rate deadline be changed for local units that wish to have the tax rate change take effect in the current year to Sept. 1st with an effective date of October 1 and notify the DoR by September 1st. The deadline to change a tax rate effective in the subsequent year should remain as November 1st. The SBA should provide estimated certified distributions, based on the current tax rate by August 2 and certified distributions by October 1st. This is a moderate task that will require both administrative and legislative action.

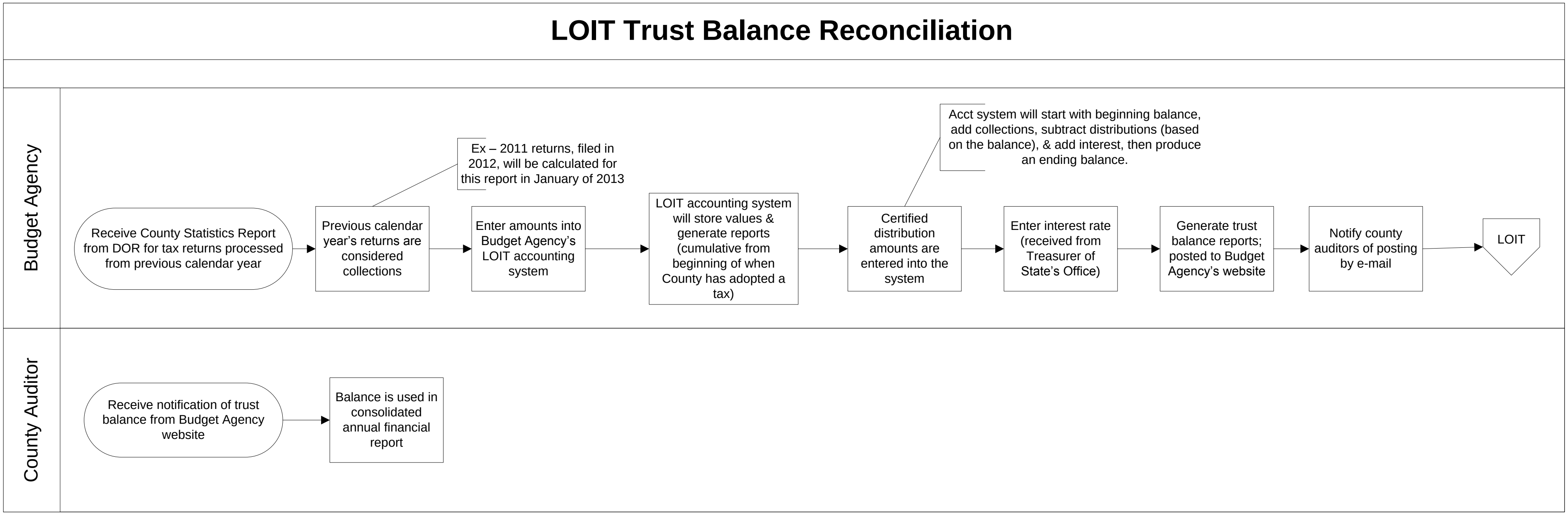
b. Finding. Currently, the DoR provides quarterly reporting to counties of withholdings, estimated payments, and other information on the WH-1s. However, the reports are not completely accurate because they are dependent upon employers submitting accurate information (some employers are reluctant to do so).
Recommendation. The Group recommends that the DoR put a disclaimer on its reports that states that the information provided to local units is only as accurate as the accuracy of the employer providing the information on the submitted WH-1.

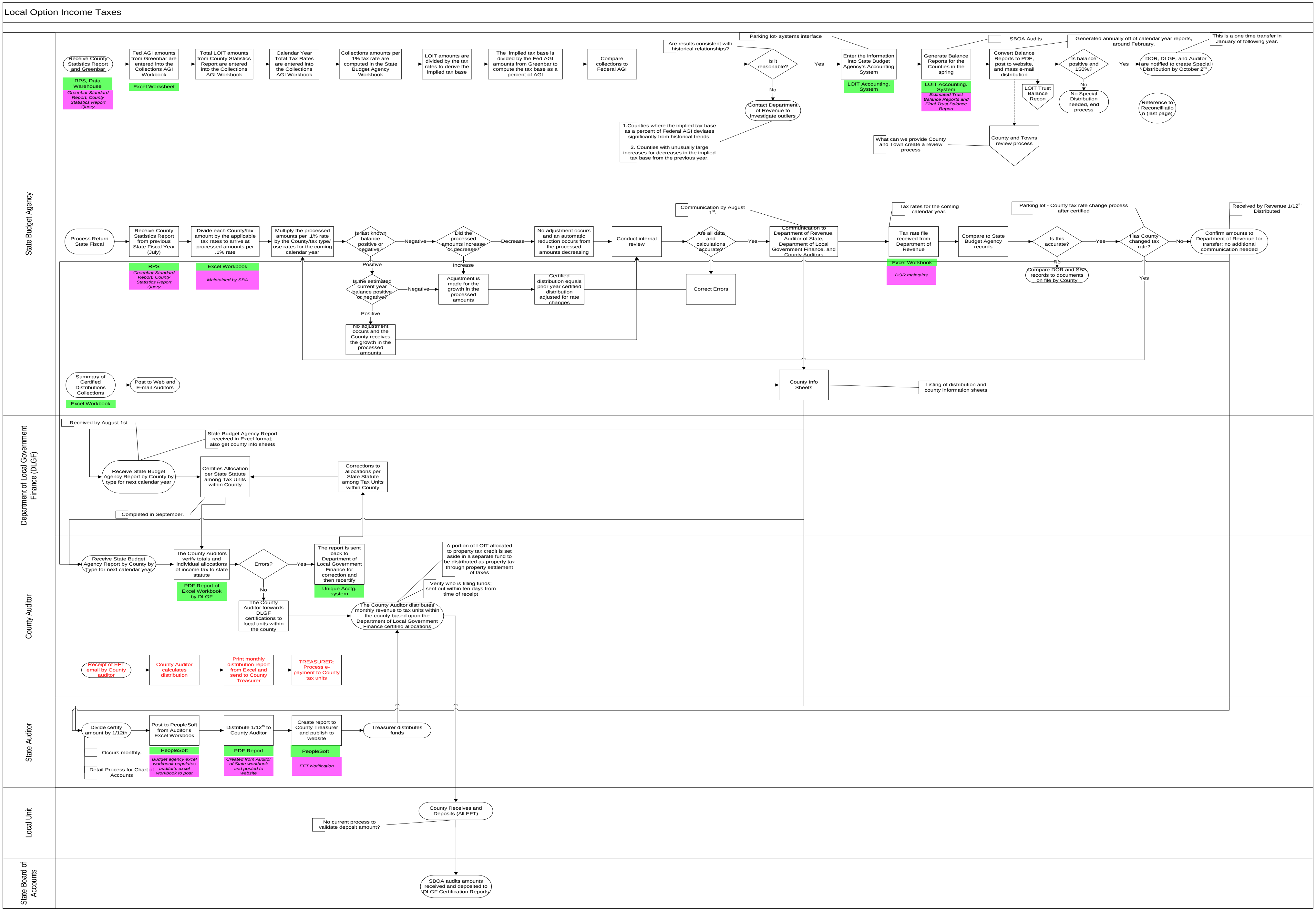
c. Finding. Currently, locals receive DLGF certification numbers electronically in Adobe (.pdf) files, so local units must manually re-enter into their own spreadsheets.
Recommendation. The Group recommends that the DLGF send certification numbers electronically in Excel. This is a minor, administrative task.

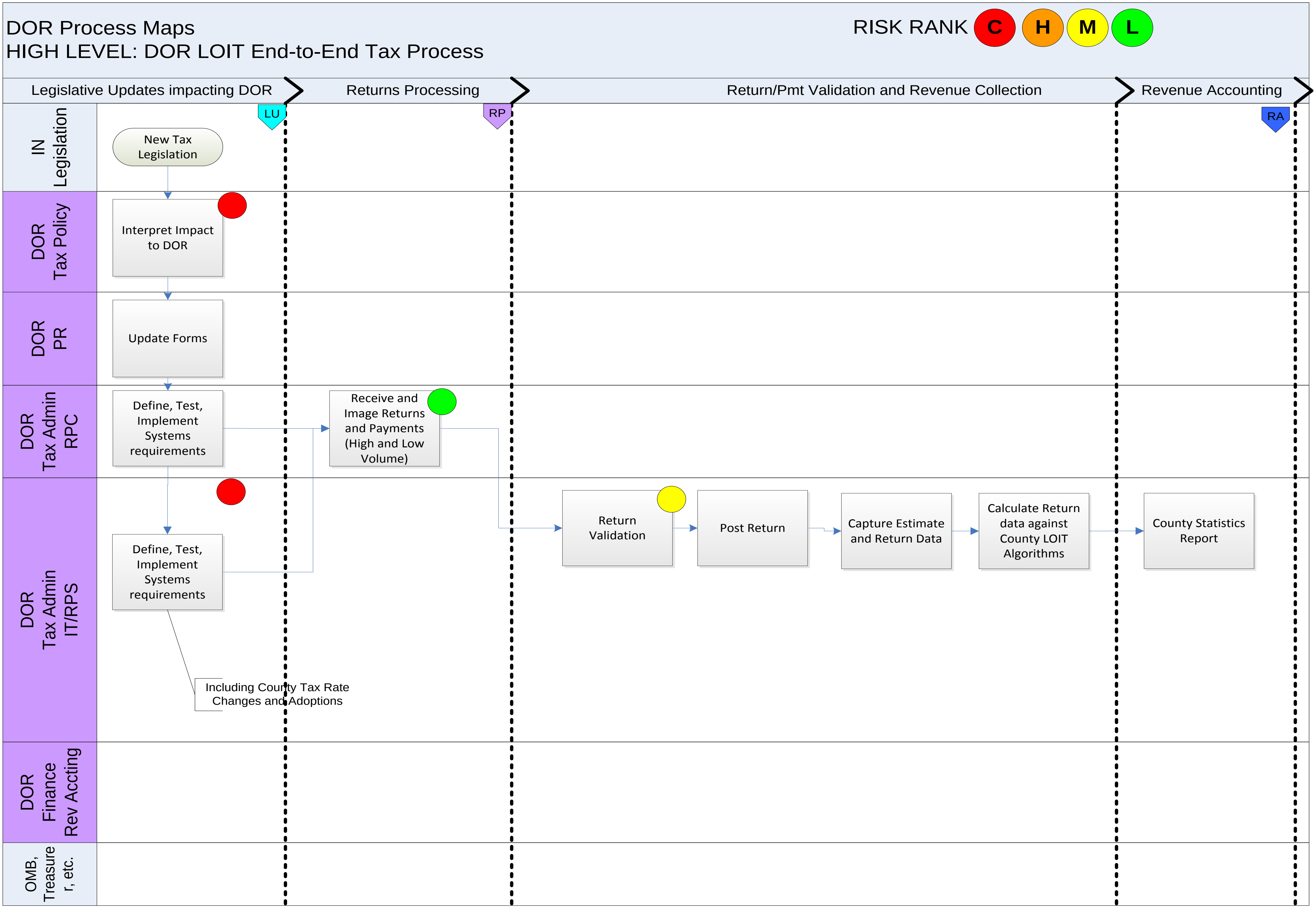
d. Finding. Currently, local auditors are required to submit their certifications to local units by August 1st. This causes an internal dilemma in that it is the same as the SBA certification requirement.
Recommendation. The Group recommends that the date be changed to a post-SBA certification date. This is a minor, legislative task.

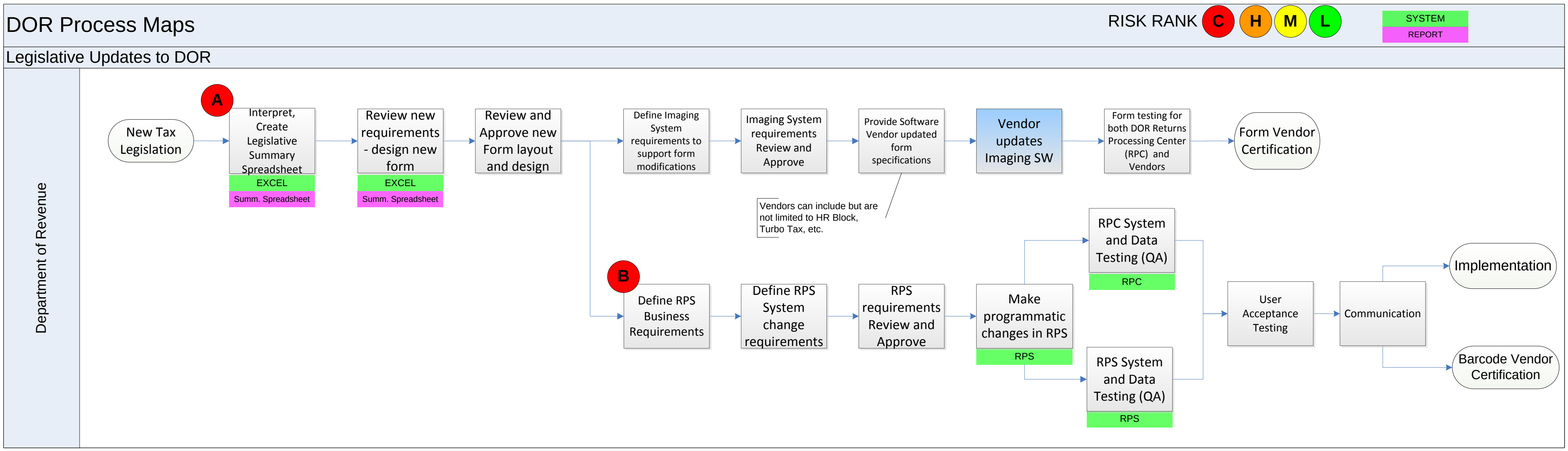
e. Finding. Currently, communication between the DoR and local units on LOIT tax rate changes is not standardized enough to ensure that everyone has the same information.
Recommendation. The Group recommends that the DoR develops a manual for county officials, including a template for county use for ordinance adjusting or creating LOIT rates. The SBA, DLGF, State Board of Accounts, and the AOS should also be included in this. This is a moderate, administrative task.

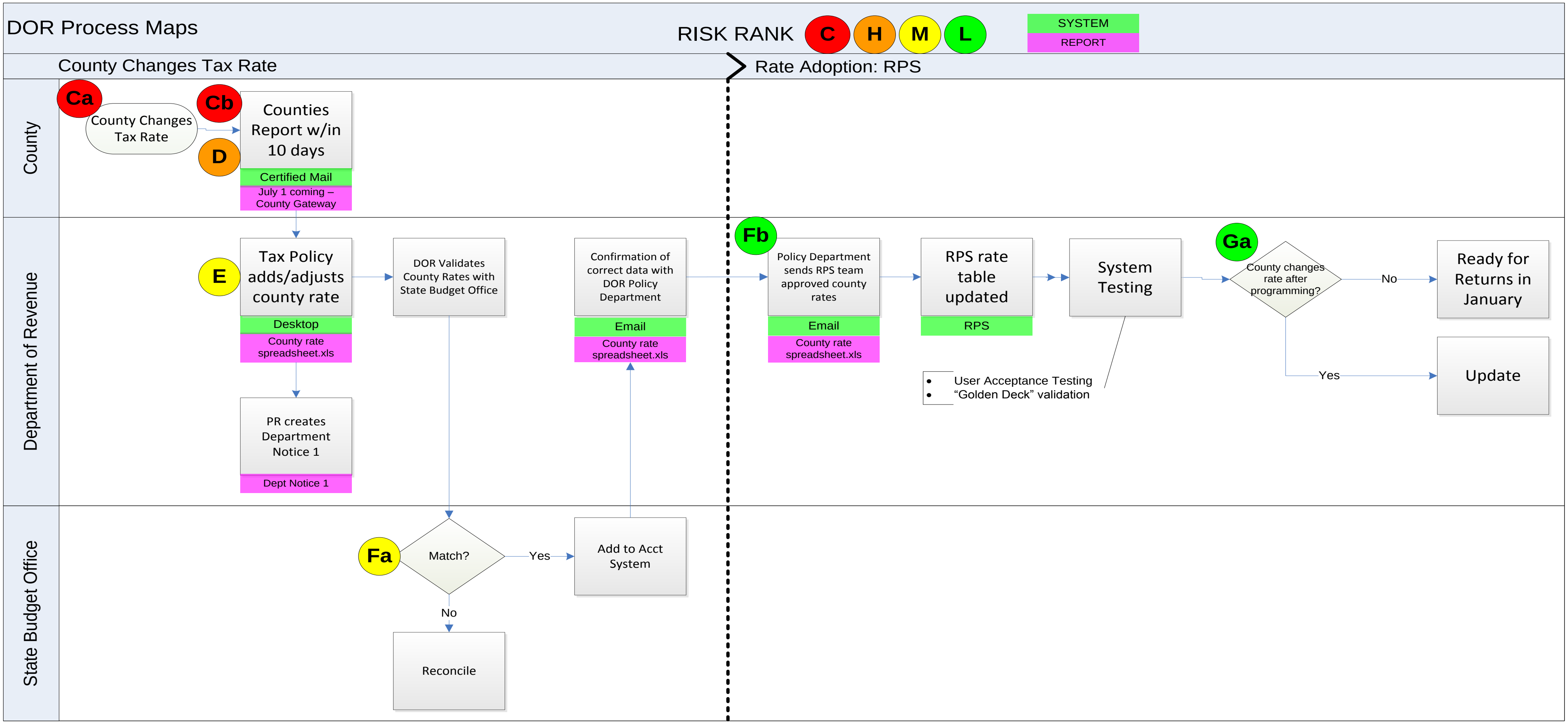
5. Map of Collection and Distribution Process. The following are mappings of (1) LOIT trust balance reconciliation; (2) the LOIT collection and distribution process; (3) the DoR LOIT end-to-end tax process; (4) annual legislative updates to the DoR; (5) county rate change adoption and RPS (returns processing system); (6) paper returns processing; (7) electronic returns processing; and (8) revenue processing.

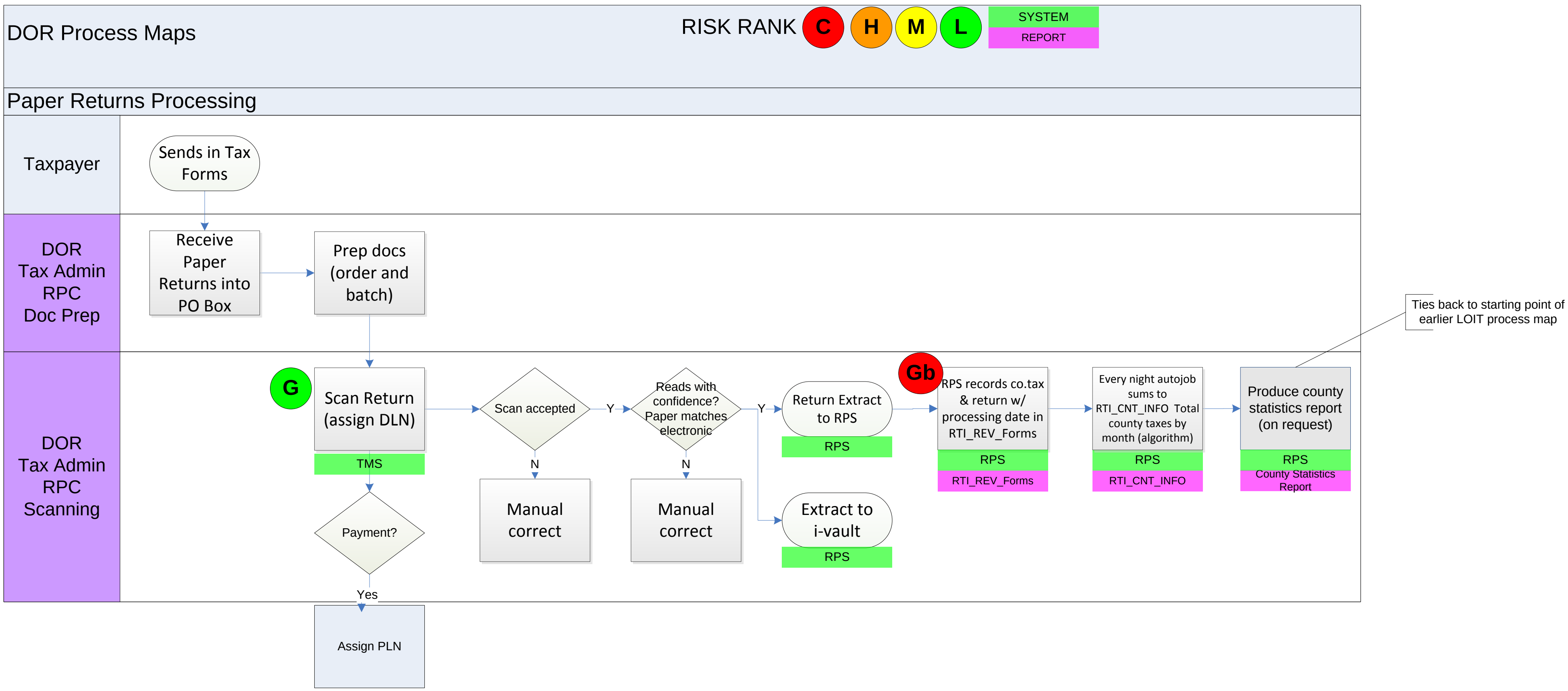

LOIT Trust Balance Reconciliation
Budget Agency
County Auditor
Receive County Statistics Report from DOR for tax returns processed from previous calendar year
Previous calendar year's returns are considered collections
Ex – 2011 returns, filed in 2012, will be calculated for this report in January of 2013
Enter amounts into Budget Agency's LOIT accounting system
LOIT accounting system will store values & generate reports (cumulative from beginning of when County has adopted a tax)
Certified distribution amounts are entered into the system
Acct system will start with beginning balance, add collections, subtract distributions (based on the balance), & add interest, then produce an ending balance.
Enter interest rate (received from Treasurer of State's Office)
Generate trust balance reports; posted to Budget Agency's website
Notify county auditors of posting by e-mail
LOIT
Receive notification of trust balance from Budget Agency website
Balance is used in consolidated annual financial report


Local Option Income Taxes
State Budget Agency
Department of Local Government Finance (DLGF)
County Auditor
State Auditor
Local Unit
State Board of Accounts
Receive County Statistics Report and Greenbar
RPS, Data Warehouse
Greenbar Standard Report, County Statistics Report Query
Fed AGI amounts from Greenbar are entered into the Collections AGI Workbook
Excel Worksheet
Total LOIT amounts from County Statistics Report are entered into the Collections AGI Workbook
Calendar Year Total Tax Rates are entered into the Collections AGI Workbook
Collections amounts per 1% tax rate are computed in the State Budget Agency Workbook
LOIT amounts are divided by the tax rates to derive the implied tax base
The implied tax base is divided by the Fed AGI amounts from Greenbar to compute the tax base as a percent of AGI
Compare collections to Federal AGI
Are results consistent with historical relationships?
Is it reasonable?
Parking lot- systems interface
Enter the information into State Budget Agency's Accounting System
LOIT Accounting. System
SBOA Audits
Generate Balance Reports for the Counties in the spring
LOIT Accounting. System
Estimated Trust Balance Reports and Final Trust Balance Report
Generated annually off of calendar year reports, around February.
Convert Balance Reports to PDF, post to website, and mass e-mail distribution
LOIT Trust Balance Recon
Is balance positive and 150%?
No Special Distribution needed, end process
This is a one time transfer in January of following year.
DOR, DLGF, and Auditor are notified to create Special Distribution by October 2nd.
Reference to Reconcilliation (last page)
Contact Department of Revenue to investigate outliers
1. Counties where the implied tax base as a percent of Federal AGI deviates significantly from historical trends.
2. Counties with unusually large increases for decreases in the implied tax base from the previous year.
What can we provide County and Town create a review process
County and Towns review process
Yes
No
Process Return State Fiscal
Receive County Statistics Report from previous State Fiscal Year (July)
RPS
Greenbar Standard Report, County Statistics Report Query
Divide each County/tax amount by the applicable tax rates to arrive at processed amounts per .1% rate
Excel Workbook
Maintained by SBA
Multiply the processed amounts per .1% rate by the County/tax type/ use rates for the coming calendar year
Is last known balance positive or negative?
Negative
Positive
Did the processed amounts increase or decrease?
Decrease
Increase
No adjustment occurs and an automatic reduction occurs from the processed amounts decreasing
Conduct internal review
Communication by August 1st.
Are all data and calculations accurate?
Correct Errors
Communication to Department of Revenue, Auditor of State, Department of Local Government Finance, and County Auditors
Tax rates for the coming calendar year.
Tax rate file received from Department of Revenue
Excel Workbook
DOR maintains
Compare to State Budget Agency records
Is this accurate?
Compare DOR and SBA records to documents on file by County
Parking lot - County tax rate change process after certified
Has County changed tax rate?
Received by Revenue 1/12th Distributed
Confirm amounts to Department of Revenue for transfer; no additional communication needed
Is the estimated current year balance positive or negative?
Adjustment is made for the growth in the processed amounts
Certified distribution equals prior year certified distribution adjusted for rate changes
No adjustment occurs and the County receives the growth in the processed amounts
Summary of Certified Distributions Collections
Excel Workbook
Post to Web and E-mail Auditors
County Info Sheets
Listing of distribution and county information sheets
Received by August 1st
State Budget Agency Report received in Excel format; also get county info sheets
Receive State Budget Agency Report by County by type for next calendar year
Certifies Allocation per State Statute among Tax Units within County
Corrections to allocations per State Statute among Tax Units within County
Completed in September.
Receive State Budget Agency Report by County by Type for next calendar year
The County Auditors verify totals and individual allocations of income tax to state statute
PDF Report of Excel Workbook by DLGF
Errors?
The report is sent back to Department of Local Government Finance for correction and then recertify
Unique Acctg. system
The County Auditor forwards DLGF certifications to local units within the county
A portion of LOIT allocated to property tax credit is set aside in a separate fund to be distributed as property tax through property settlement of taxes
Verify who is filing funds; sent out within ten days from time of receipt
The County Auditor distributes monthly revenue to tax units within the county based upon the Department of Local Government Finance certified allocations
Receipt of EFT email by County auditor
County Auditor calculates distribution
Print monthly distribution report from Excel and send to County Treasurer
TREASURER: Process e-payment to County tax units
Divide certify amount by 1/12th
Occurs monthly.
Detail Process for Chart of Accounts
Post to PeopleSoft from Auditor's Excel Workbook
PeopleSoft
Budget agency excel workbook populates auditor's excel workbook to post
Distribute 1/12th to County Auditor
PDF Report
Created from Auditor of State workbook and posted to website
Create report to County Treasurer and publish to website
PeopleSoft
EFT Notification
Treasurer distributes funds
County Receives and Deposits (All EFT)
No current process to validate deposit amount?
SBOA audits amounts received and deposited to DLGF Certification Reports

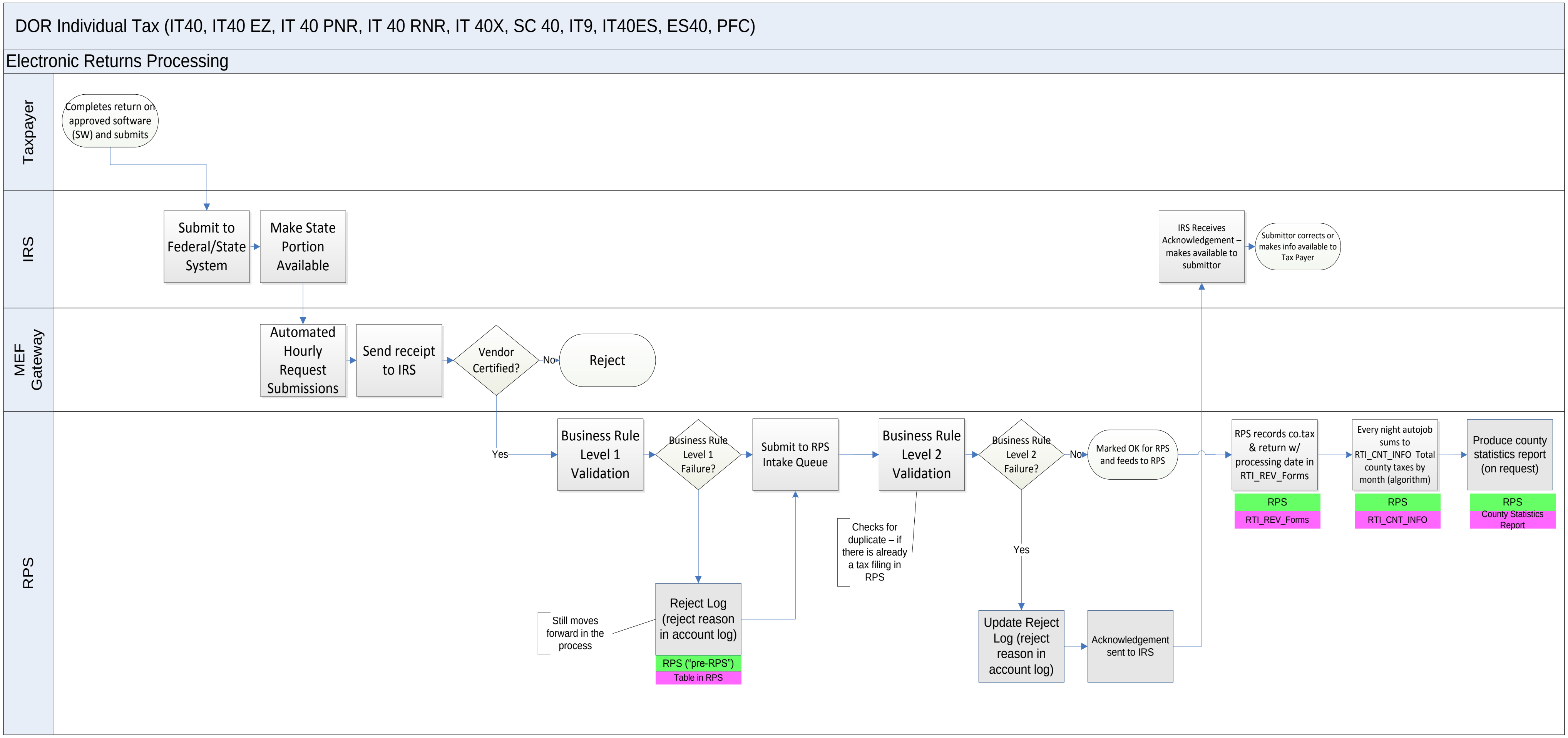

DOR Process Maps
HIGH LEVEL: DOR LOIT End-to-End Tax Process
RISK RANK
C
H
M
L
Legislative Updates impacting DOR
Returns Processing
Return/Pmt Validation and Revenue Collection
Revenue Accounting
LU
RP
RA
IN Legislation
DOR Tax Policy
DOR PR
DOR Tax Admin RPC
DOR Tax Admin IT/RPS
DOR Finance Rev Acctng
OMB, Treasurer, etc.
New Tax Legislation
Interpret Impact to DOR
Update Forms
Define, Test, Implement Systems requirements
Receive and Image Returns and Payments (High and Low Volume)
Define, Test, Implement Systems requirements
Including County Tax Rate Changes and Adoptions
Return Validation
Post Return
Capture Estimate and Return Data
Calculate Return data against County LOIT Algorithms
County Statistics Report

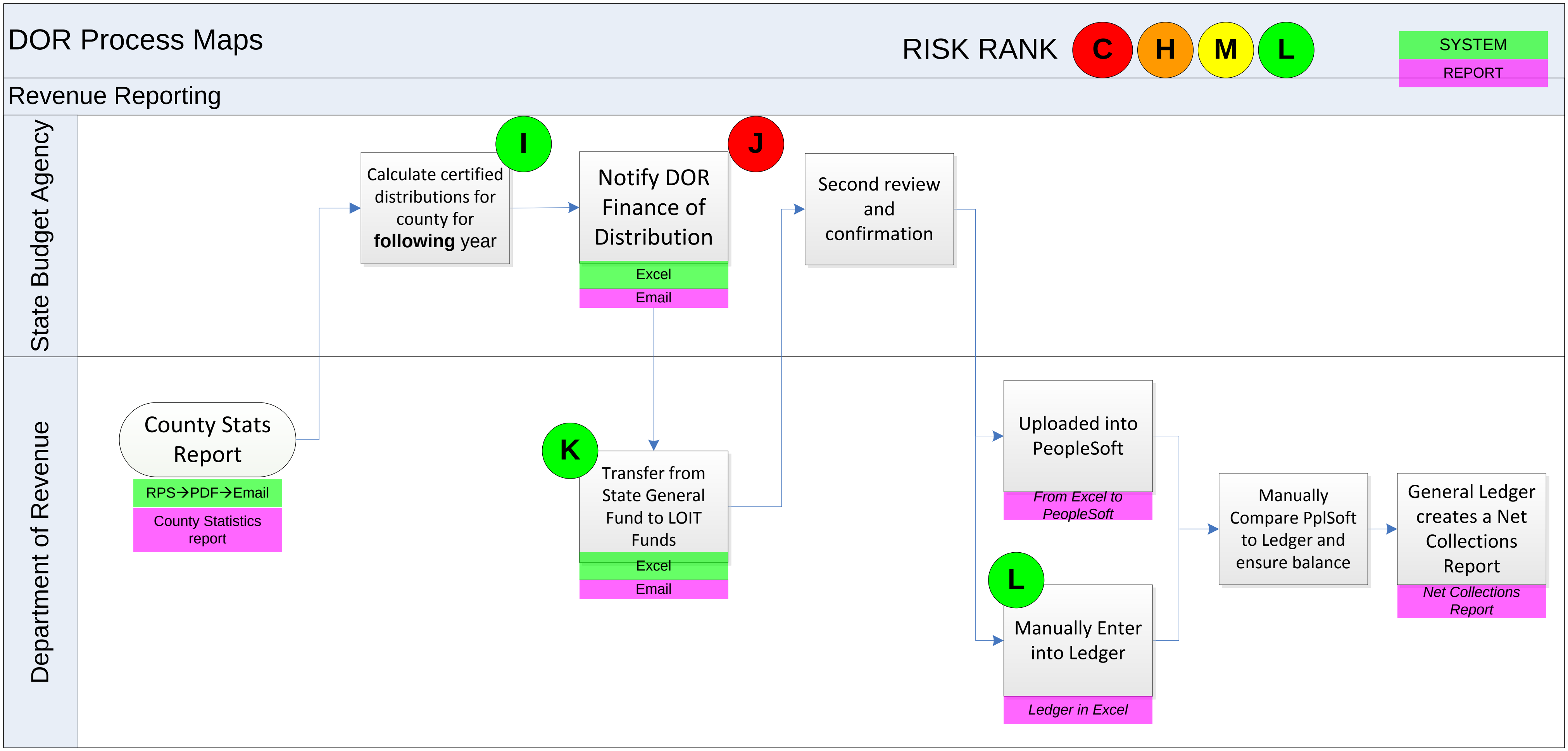

DOR Process Maps
RISK RANK
C
H
M
L
SYSTEM
REPORT
Legislative Updates to DOR
Department of Revenue
New Tax Legislation
A
Interpret, Create Legislative Summary Spreadsheet
EXCEL
Summ. Spreadsheet
Review new requirements - design new form
EXCEL
Summ. Spreadsheet
Review and Approve new Form layout and design
Define Imaging System requirements to support form modifications
Imaging System requirements Review and Approve
Provide Software Vendor updated form specifications
Vendors can include but are not limited to HR Block, Turbo Tax, etc.
Vendor updates Imaging SW
Form testing for both DOR Returns Processing Center (RPC) and Vendors
Form Vendor Certification
B
Define RPS Business Requirements
Define RPS System change requirements
RPS requirements Review and Approve
Make programmatic changes in RPS
RPS
RPC System and Data Testing (QA)
RPC
RPS System and Data Testing (QA)
RPS
User Acceptance Testing
Communication
Implementation
Barcode Vendor Certification


DOR Process Maps
RISK RANK
C
H
M
L
SYSTEM
REPORT
County Changes Tax Rate
Rate Adoption: RPS
County
Department of Revenue
State Budget Office
Ca
County Changes Tax Rate
Cb
D
Counties Report w/in 10 days
Certified Mail
July 1 coming – County Gateway
E
Tax Policy adds/adjusts county rate
Desktop
County rate spreadsheet.xls
PR creates Department Notice 1
Dept Notice 1
DOR Validates County Rates with State Budget Office
Confirmation of correct data with DOR Policy Department
Email
County rate spreadsheet.xls
Fb
Policy Department sends RPS team approved county rates
Email
County rate spreadsheet.xls
RPS rate table updated
RPS
System Testing
User Acceptance Testing
"Golden Deck" validation
Ga
County changes rate after programming?
No
Yes
Ready for Returns in January
Update
Fa
Match?
Yes
No
Add to Acct System
Reconcile



DOR Process Maps
RISK RANK
C
H
M
L
SYSTEM
REPORT
Paper Returns Processing
Taxpayer
Sends in Tax Forms
DOR Tax Admin RPC Doc Prep
Receive Paper Returns into PO Box
Prep docs (order and batch)
DOR Tax Admin RPC Scanning
G
Scan Return (assign DLN)
TMS
Scan accepted
Y
N
Manual correct
Reads with confidence? Paper matches electronic
Y
N
Manual correct
Return Extract to RPS
RPS
Extract to i-vault
RPS
Gb
RPS records co.tax & return w/ processing date in RTI_REV_Forms
RPS
RTI_REV_Forms
Every night autojob sums to RTI_CNT_INFO Total county taxes by month (algorithm)
RPS
RTI_CNT_INFO
Produce county statistics report (on request)
RPS
County Statistics Report
Ties back to starting point of earlier LOIT process map
Payment?
Yes
Assign PLN


DOR Individual Tax (IT40, IT40 EZ, IT 40 PNR, IT 40 RNR, IT 40X, SC 40, IT9, IT40ES, ES40, PFC)
Electronic Returns Processing
Taxpayer
IRS
MEF Gateway
RPS
Completes return on approved software (SW) and submits
Submit to Federal/State System
Make State Portion Available
IRS Receives Acknowledgement – makes available to submittor
Submittor corrects or makes info available to Tax Payer
Automated Hourly Request Submissions
Send receipt to IRS
Vendor Certified?
No
Reject
Yes
Business Rule Level 1 Validation
Business Rule Level 1 Failure?
Submit to RPS Intake Queue
Business Rule Level 2 Validation
Business Rule Level 2 Failure?
No
Marked OK for RPS and feeds to RPS
RPS records co.tax & return w/ processing date in RTI_REV_Forms
RPS
RTI_REV_Forms
Every night autojob sums to RTI_CNT_INFO Total county taxes by month (algorithm)
RPS
RTI_CNT_INFO
Produce county statistics report (on request)
RPS
County Statistics Report
Checks for duplicate – if there is already a tax filing in RPS
Yes
Still moves forward in the process
Reject Log (reject reason in account log)
RPS ("pre-RPS")
Table in RPS
Update Reject Log (reject reason in account log)
Acknowledgement sent to IRS



DOR Process Maps
RISK RANK
C
H
M
L
SYSTEM
REPORT
Revenue Reporting
State Budget Agency
Department of Revenue
County Stats Report
RPS→PDF→Email
County Statistics report
Calculate certified distributions for county for following year
I
Notify DOR Finance of Distribution
J
Excel
Email
Second review and confirmation
K
Transfer from State General Fund to LOIT Funds
Excel
Email
Uploaded into PeopleSoft
From Excel to PeopleSoft
L
Manually Enter into Ledger
Ledger in Excel
Manually Compare PplSoft to Ledger and ensure balance
General Ledger creates a Net Collections Report
Net Collections Report

B. Aircraft License Excise Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 101 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-6.5.

2. Taxpayers. Owners of aircrafts required to be registered with the DoR.

3. Tax Base. The weight, class, and age of the aircraft determines taxes owed.

4. Tax Rates Per Class/Age.

Age	Class A (piston-driven)	Class B (piston-driven, pressurized)	Class C (turbine-driven)	Class D (homebuilt, gliders, or hot air balloons)
0-4	$0.04/lb	$0.065/lb	$0.09/lb	$0.0175/lb
5-8	$0.035/lb	$0.055/lb	$0.08/lb	$0.015/lb
9-12	$0.03/lb	$0.05/lb	$0.07/lb	$0.0125/lb
13-16	$0.025/lb	$0.025/lb	$0.025/lb	$0.01/lb
17-25	$0.02/lb	$0.02/lb	$0.02/lb	$0.0075/lb
Over 25	$0.01/lb	$0.01/lb	$0.01/lb	$0.005/lb

5. Procedure. The aircraft owner registers his or her plane and files a return. The Aircraft License Excise Tax must be paid before the aircraft can be registered. The aircraft owner files the registration with the DoR. The DoR verifies the filing, tracks the transaction in its aeronautics database, and distributes revenues quarterly.

6. Local Distribution. Revenues are distributed on a quarterly basis to the county where the aircraft is usually located when it is not being operated. However, in Allen County, the funds go to the Ft. Wayne Airport Authority quarterly. The county auditor receives payment from the DoR, and, as required by statute, the county treasurer receives the same report from the DoR. The county auditor identifies the taxing districts, and allocation is distributed to tax units based upon pro-rata tax rates.

7. Authorization. Indiana General Assembly.

8. Administration. Aeronautics Section of the DoR.

9. Findings and Recommendations.

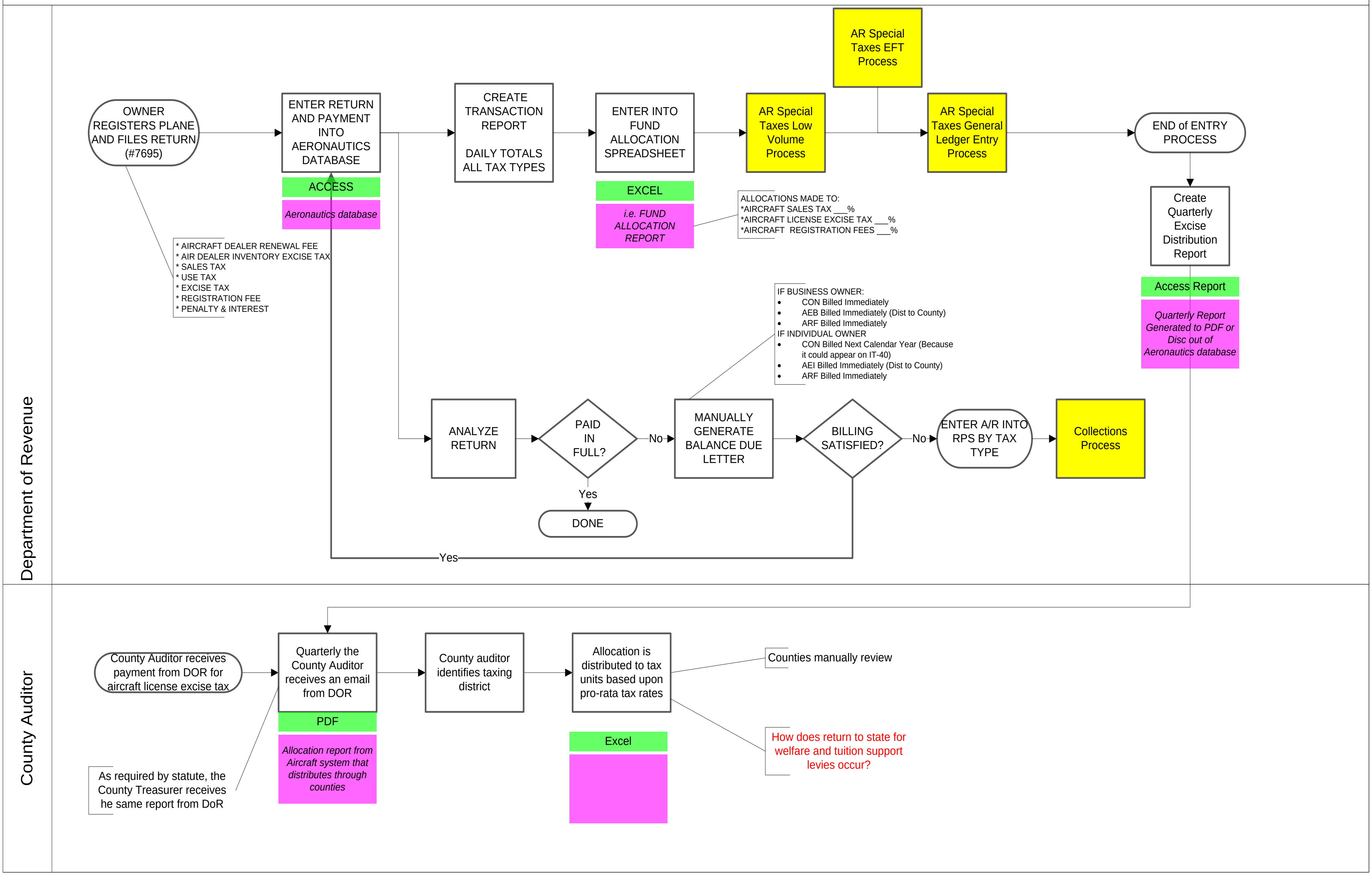
   a. Finding. Currently, local units do not receive a $0 allocation from the DoR. Recommendation. The Group recommends that the DoR send an allocation e-mail to local units, regardless of whether the county is receiving an allocation. DoR has already implemented this change. This is a minor, administrative change.

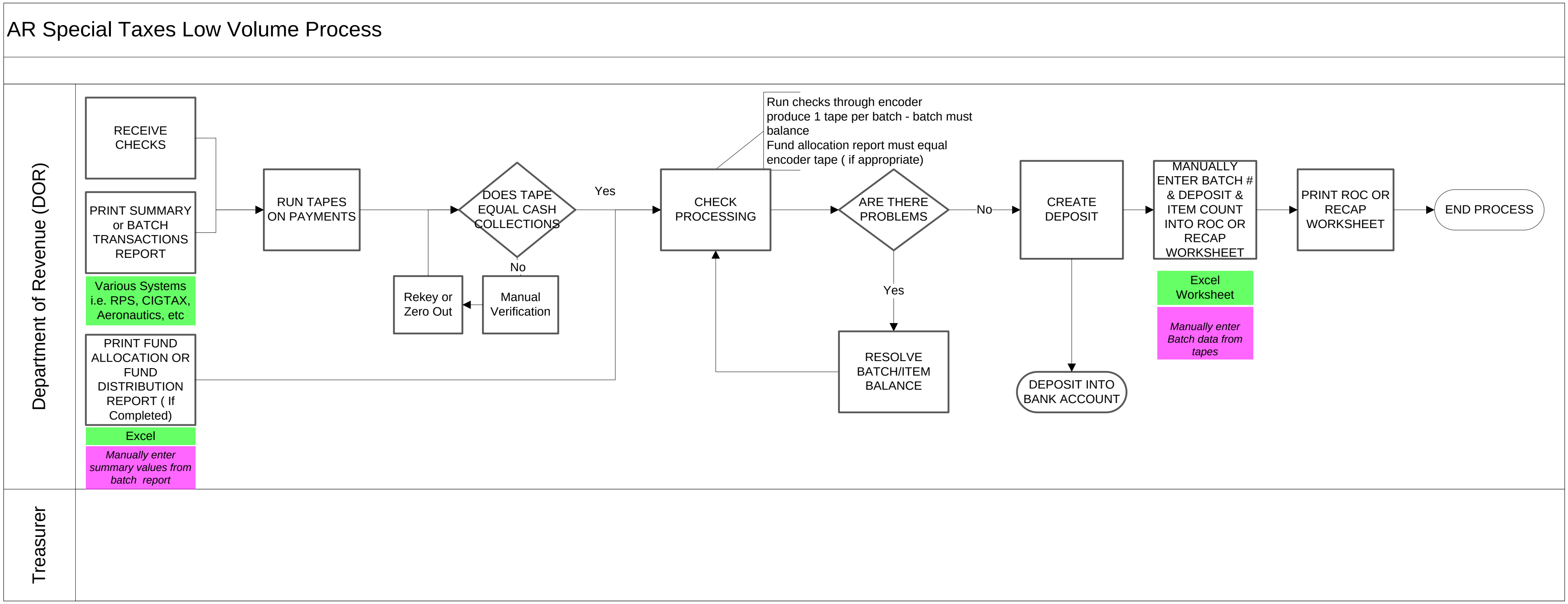
b. Finding: The DoR's current File Transfer Protocol (FTP) site does not have the capacity to provide centralized notification and data to local units on a secure web site. However, the current system may not be secure enough to provide such a service.

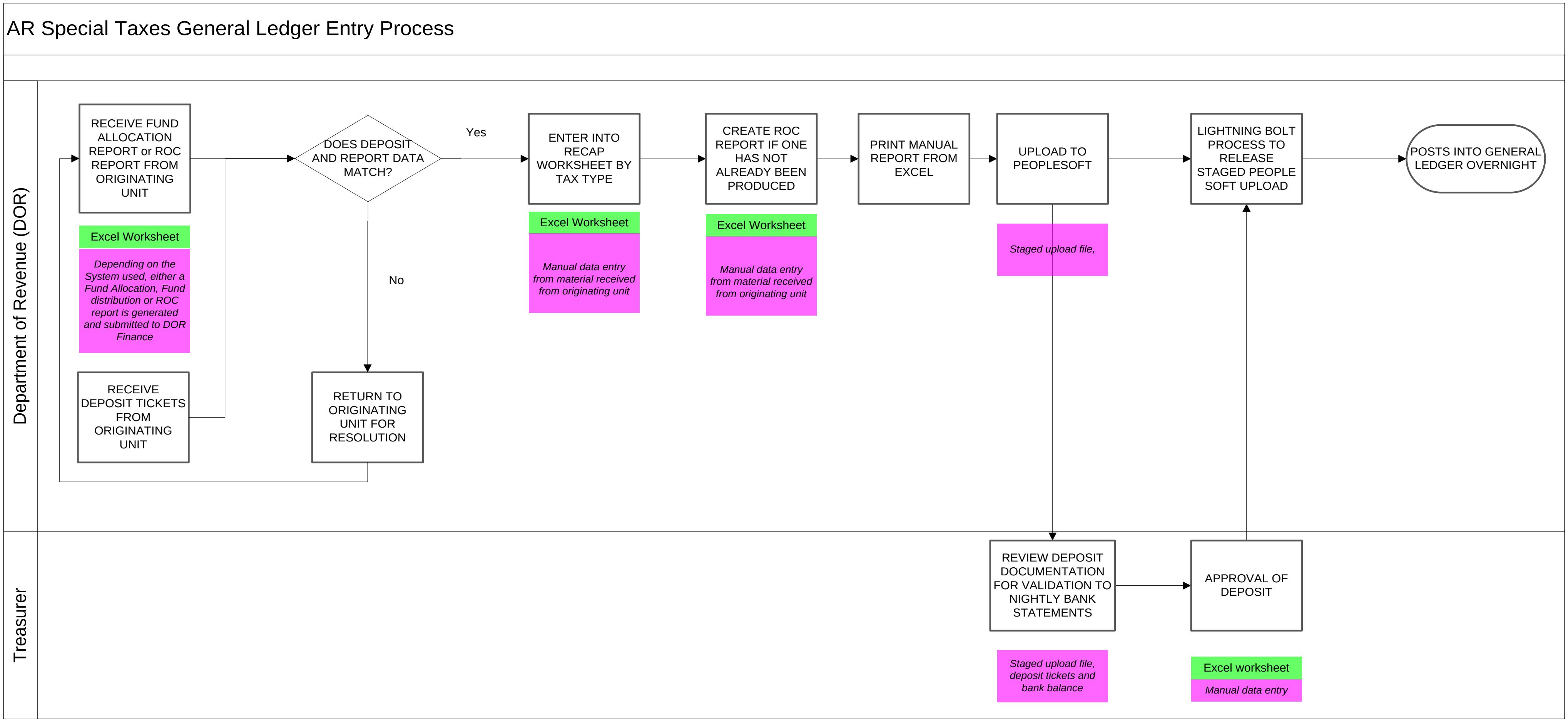
Recommendation: The Group recommends that the DoR make major modifications to the current FTP system, including up-front labor to the units currently occupied. Local units do not need to receive individual emails when central notification is possible. This is a moderate, administrative task that can be modeled after what the BMV is doing.

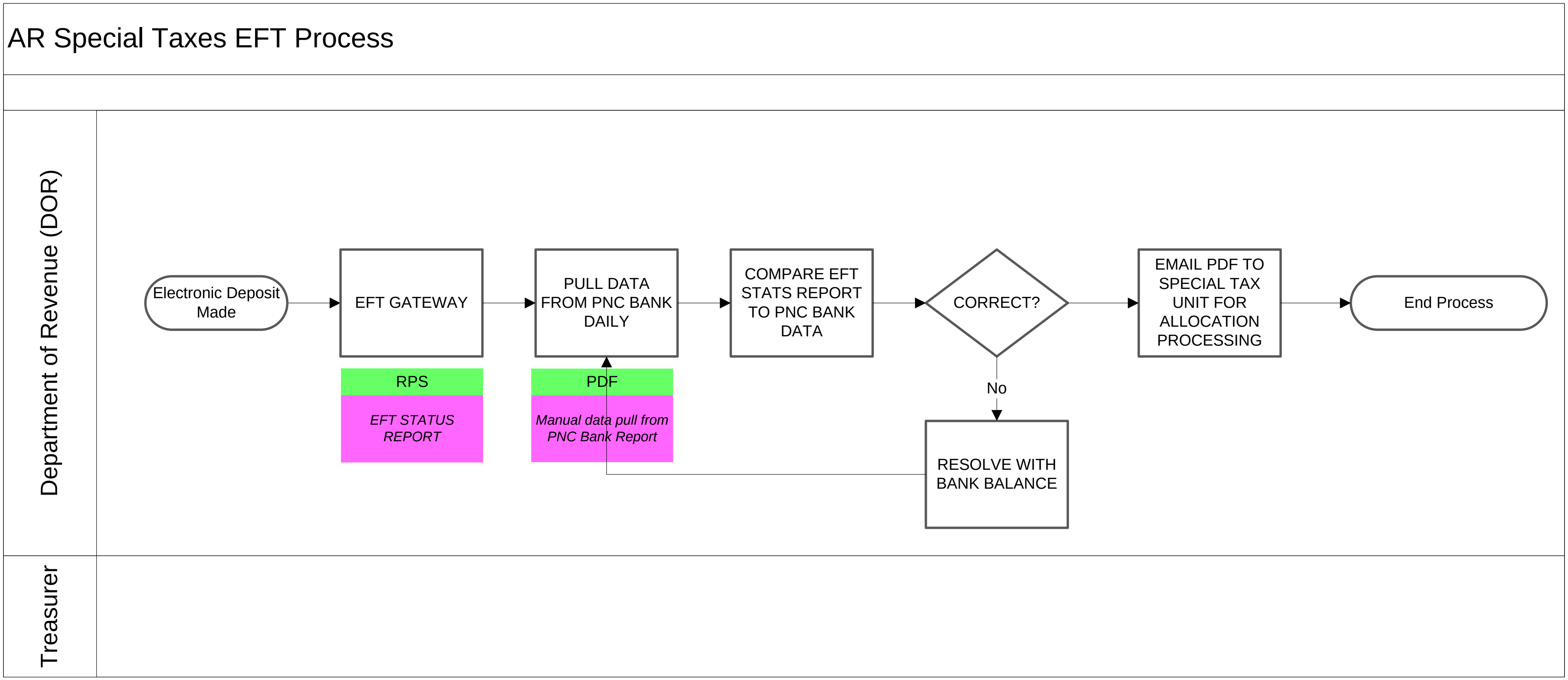
10. Map of Collection and Distribution Process. The following pages contains a mapping of the (1) Aircraft License Excise Tax collection and distribution processes; (2) AR Special Tax Low Volume Process; (3) AR Special Taxes General Ledger Entry Process; and (4) AR Special Taxes EFT (Electronic Funds Transfer) Process.

Aircraft License Excise Tax




AR Special Taxes Low Volume Process
Department of Revenue (DOR)
Treasurer
RECEIVE CHECKS
PRINT SUMMARY or BATCH TRANSACTIONS REPORT
Various Systems i.e. RPS, CIGTAX, Aeronautics, etc
PRINT FUND ALLOCATION OR FUND DISTRIBUTION REPORT (If Completed)
Excel
Manually enter summary values from batch report
RUN TAPES ON PAYMENTS
DOES TAPE EQUAL CASH COLLECTIONS
Yes
No
Manual Verification
Rekey or Zero Out
CHECK PROCESSING
Run checks through encoder produce 1 tape per batch - batch must balance
Fund allocation report must equal encoder tape (if appropriate)
ARE THERE PROBLEMS
No
Yes
RESOLVE BATCH/ITEM BALANCE
CREATE DEPOSIT
DEPOSIT INTO BANK ACCOUNT
MANUALLY ENTER BATCH # & DEPOSIT & ITEM COUNT INTO ROC OR RECAP WORKSHEET
Excel Worksheet
Manually enter Batch data from tapes
PRINT ROC OR RECAP WORKSHEET
END PROCESS


AR Special Taxes General Ledger Entry Process
Department of Revenue (DOR)
Treasurer
RECEIVE FUND ALLOCATION REPORT or ROC REPORT FROM ORIGINATING UNIT
Excel Worksheet
Depending on the System used, either a Fund Allocation, Fund distribution or ROC report is generated and submitted to DOR Finance
RECEIVE DEPOSIT TICKETS FROM ORIGINATING UNIT
DOES DEPOSIT AND REPORT DATA MATCH?
Yes
No
RETURN TO ORIGINATING UNIT FOR RESOLUTION
ENTER INTO RECAP WORKSHEET BY TAX TYPE
Excel Worksheet
Manual data entry from material received from originating unit
CREATE ROC REPORT IF ONE HAS NOT ALREADY BEEN PRODUCED
Excel Worksheet
Manual data entry from material received from originating unit
PRINT MANUAL REPORT FROM EXCEL
UPLOAD TO PEOPLESOFT
Staged upload file,
LIGHTNING BOLT PROCESS TO RELEASE STAGED PEOPLE SOFT UPLOAD
POSTS INTO GENERAL LEDGER OVERNIGHT
REVIEW DEPOSIT DOCUMENTATION FOR VALIDATION TO NIGHTLY BANK STATEMENTS
Staged upload file, deposit tickets and bank balance
APPROVAL OF DEPOSIT
Excel worksheet
Manual data entry


AR Special Taxes EFT Process
Department of Revenue (DOR)
Treasurer
Electronic Deposit Made
EFT GATEWAY
RPS
EFT STATUS REPORT
PULL DATA FROM PNC BANK DAILY
PDF
Manual data pull from PNC Bank Report
COMPARE EFT STATS REPORT TO PNC BANK DATA
CORRECT?
No
RESOLVE WITH BANK BALANCE
EMAIL PDF TO SPECIAL TAX UNIT FOR ALLOCATION PROCESSING
End Process

C. Alcoholic Beverage Permits.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 121-122 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code §§ 7.1-4-4.1, 7.1-4-7-1, 7.1-4-9-1.

2. Revenue Base. Certain businesses (retailers and dealers) that sell alcoholic beverages must apply and annually renew permits with the ATC; these revenues flow to the state and local units. All other fines, fees and employee permits are paid to the ATC and distributed to ATC enforcement and INPRS for pension payments for excise officers.

3. Local Distribution. Revenue from fees paid by retailers and dealers are initially deposited in the Excise Fund. These receipts are then distributed 37% to the state General Fund, 33% to the general funds of cities, towns, and counties based on population, and 30% to the Enforcement and Administration Fund. Revenue from fees 7 through 1 paid by excursions, adjacent landsites, horse tracks, satellite facilities, and auctioned permits are deposited in the Enforcement and Administration Fund. Revenue from all remaining alcohol permit fees are deposited in the General Fund, of which, 66% remains in the General Fund and 34% is distributed to the Enforcement and Administration Fund.

4. Authorization. Indiana General Assembly.

5. Administration. Alcohol and Tobacco Commission.

6. Findings and Recommendations.

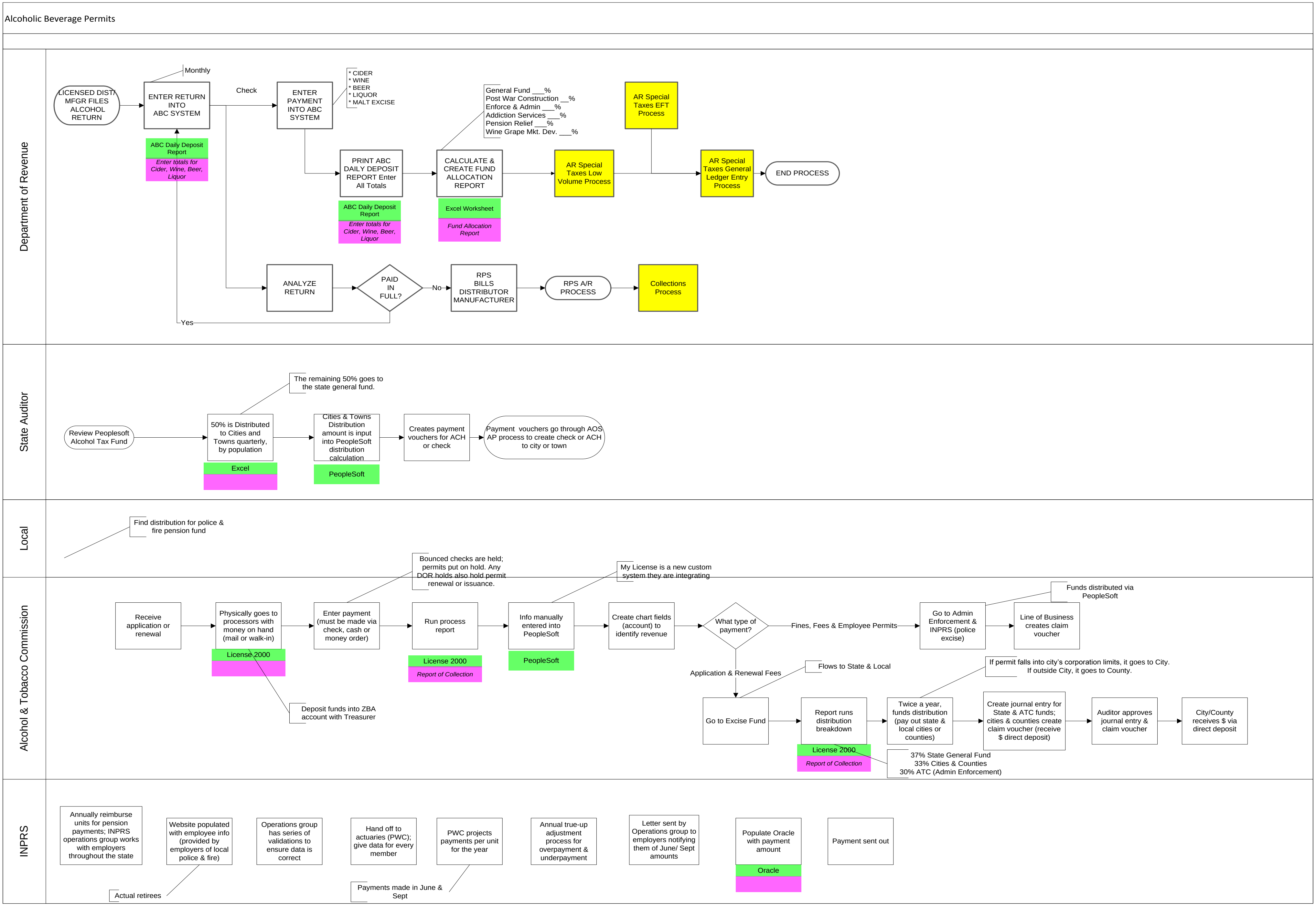
   a. <u>Finding</u>. Currently, there is no communication between the ATC and DoR on the outstanding dollars due for alcohol permits. <u>Recommendation</u>. The Group recommends that the ATC and DoR improve communications on new permits and past due bills. Wherever feasible, the DoR should be provided the authority to intercept tax refunds to provide leverage to other agencies in the collection of their past due bills. This is a moderate, legislative task.

   b. <u>Finding</u>. Currently, the ATC's method of identifying the location of ATC permits is not completely accurate.
   <u>Recommendation</u>. The Group recommends that the ATC should consider tying addresses to existing information using the Geographic Information System (GIS) to identify ATC permits. Tying an address to the parcel and PIN numbers would consolidate information and provide more accuracy. This is a hard task that would require both administrative and legislative action.

   c. <u>Finding</u>. Currently, the ATC does not double-check the number of permits that are allowed to the number of permits it has. Also, the ATC does not double-check where money should go locally (unincorporated vs. incorporated areas). Local units do not

receive annual notification of the number of permits their jurisdictions have or the current boundaries to double-check distributions.
Recommendation. The Group recommends that the ATC check statute on ATC permits as they relate to counties distribution by population. This is a policy issue, and the ATC needs to understand the process better. This is a moderate, administrative task.

7. Map of Collection and Distribution Process. The following page contains a mapping of the Alcohol Beverage Permits that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.



Alcoholic Beverage Permits
Department of Revenue
LICENSED DIST/ MFGR FILES ALCOHOL RETURN
ENTER RETURN INTO ABC SYSTEM
Monthly
ABC Daily Deposit Report
Enter totals for Cider, Wine, Beer, Liquor
Check
ENTER PAYMENT INTO ABC SYSTEM
* CIDER
* WINE
* BEER
* LIQUOR
* MALT EXCISE
PRINT ABC DAILY DEPOSIT REPORT Enter All Totals
ABC Daily Deposit Report
Enter totals for Cider, Wine, Beer, Liquor
CALCULATE & CREATE FUND ALLOCATION REPORT
Excel Worksheet
Fund Allocation Report
General Fund ___%
Post War Construction __%
Enforce & Admin ___%
Addiction Services ___%
Pension Relief ___%
Wine Grape Mkt. Dev. ___%
AR Special Taxes Low Volume Process
AR Special Taxes EFT Process
AR Special Taxes General Ledger Entry Process
END PROCESS
ANALYZE RETURN
PAID IN FULL?
No
Yes
RPS BILLS DISTRIBUTOR MANUFACTURER
RPS A/R PROCESS
Collections Process
State Auditor
Review Peoplesoft Alcohol Tax Fund
50% is Distributed to Cities and Towns quarterly, by population
Excel
The remaining 50% goes to the state general fund.
Cities & Towns Distribution amount is input into PeopleSoft distribution calculation
PeopleSoft
Creates payment vouchers for ACH or check
Payment vouchers go through AOS AP process to create check or ACH to city or town
Local
Find distribution for police & fire pension fund
Alcohol & Tobacco Commission
Receive application or renewal
Physically goes to processors with money on hand (mail or walk-in)
License 2000
Deposit funds into ZBA account with Treasurer
Enter payment (must be made via check, cash or money order)
Bounced checks are held; permits put on hold. Any DOR holds also hold permit renewal or issuance.
Run process report
License 2000
Report of Collection
Info manually entered into PeopleSoft
PeopleSoft
My License is a new custom system they are integrating
Create chart fields (account) to identify revenue
What type of payment?
Fines, Fees & Employee Permits
Go to Admin Enforcement & INPRS (police excise)
Funds distributed via PeopleSoft
Line of Business creates claim voucher
Application & Renewal Fees
Flows to State & Local
Go to Excise Fund
Report runs distribution breakdown
License 2000
Report of Collection
37% State General Fund
33% Cities & Counties
30% ATC (Admin Enforcement)
Twice a year, funds distribution (pay out state & local cities or counties)
If permit falls into city's corporation limits, it goes to City. If outside City, it goes to County.
Create journal entry for State & ATC funds; cities & counties create claim voucher (receive $ direct deposit)
Auditor approves journal entry & claim voucher
City/County receives $ via direct deposit
INPRS
Annually reimburse units for pension payments; INPRS operations group works with employers throughout the state
Website populated with employee info (provided by employers of local police & fire)
Actual retirees
Operations group has series of validations to ensure data is correct
Hand off to actuaries (PWC); give data for every member
PWC projects payments per unit for the year
Payments made in June & Sept
Annual true-up adjustment process for overpayment & underpayment
Letter sent by Operations group to employers notifying them of June/ Sept amounts
Populate Oracle with payment amount
Oracle
Payment sent out

D. Alcoholic Beverage Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 6-7 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 7.1-4-7.

2. Taxpayer Per Beverage Category.

Category	Taxpayer
Beer	Beer wholesaler, unless Indiana brewer.
Flavored malt beverage	Beer or wine wholesaler, unless Indiana brewer.
Hard cider	Vintners, farm wineries, wine wholesalers, dining care permittee, or boat wine permittee.
Liquor	Liquor wholesaler.
Wine	Liquor wholesaler or winery.
Mixed beverages	Liquor wholesaler.
Malt	Manufacturer, wholesaler, or dealer.

3. Tax Base. The taxes are figured on gallons of beer, flavored malt beverage, liquor, wine, mixed beverages, liquid malt, or wort sold.

4. Tax Rate.

Category	Rate
Beer, flavored malt beverage, hard cider	$0.115/gal
Liquor, wine (21% or more alcohol)	$2.68/gal
Wine (less than 21% alcohol)	$0.47/gal
Mixed beverages (15% or less alcohol)	$0.47/gal
Malt	$0.05/gal

5. Procedure. Taxpayers make payments by the 20th day of each month. A discount of 1.5% is allowed for accurate reporting and timely payment. The payments are received by the DoR and tracked through its ABC system.

6. Local Distribution. 50% of the revenue is allocated quarterly to cities and towns according to a formula based on population. The remaining 50% is distributed to the General Fund and set aside for General Fund purposes.

7. Authorization. Indiana General Assembly.

8. Administration. Special Tax Division of the DoR.

9. Findings and Recommendations.

a. Finding. Currently, the DoR's electronic, stand-alone accounting system for alcohol tax receipts is inadequate. This is one of many taxes that are maintained on its own stand-alone system. Having several different manual systems provides opportunities for errors.
Recommendation. The Group recommends that the DoR investigate the possibility of developing a comprehensive system solution. This is a hard, administrative task.

b. Finding. Currently, when the DoR gets refund claims, they are paid from the state general fund. The general fund is never reimbursed by the original revenue source. The general fund should not be paying for the loss from those refunds, the tax collections should be netted against refunds.
Recommendation. The Group recommends that refunds provided from the Alcoholic Beverage Tax be credited back to the original funds that the original receipts were received from. This is a moderate/hard task that would require both administrative and legislative action.

c. Finding. Currently, the ATC manually inputs its receipts of collections. Manual input may cause errors.
Recommendation. The Group recommends that the ATC consider ways to electronically input receipts of collections. This is a moderate, administrative task.

d. Finding. Currently, local units receive numerous Automated Clearing House (ACH) transactions from the state without knowing the purpose of the transaction.
Recommendation. The Group recommends that the ATC include a statute citation/remark on the ACH remittance form that tells local units why they are receiving funds. This is a minor, administrative task.

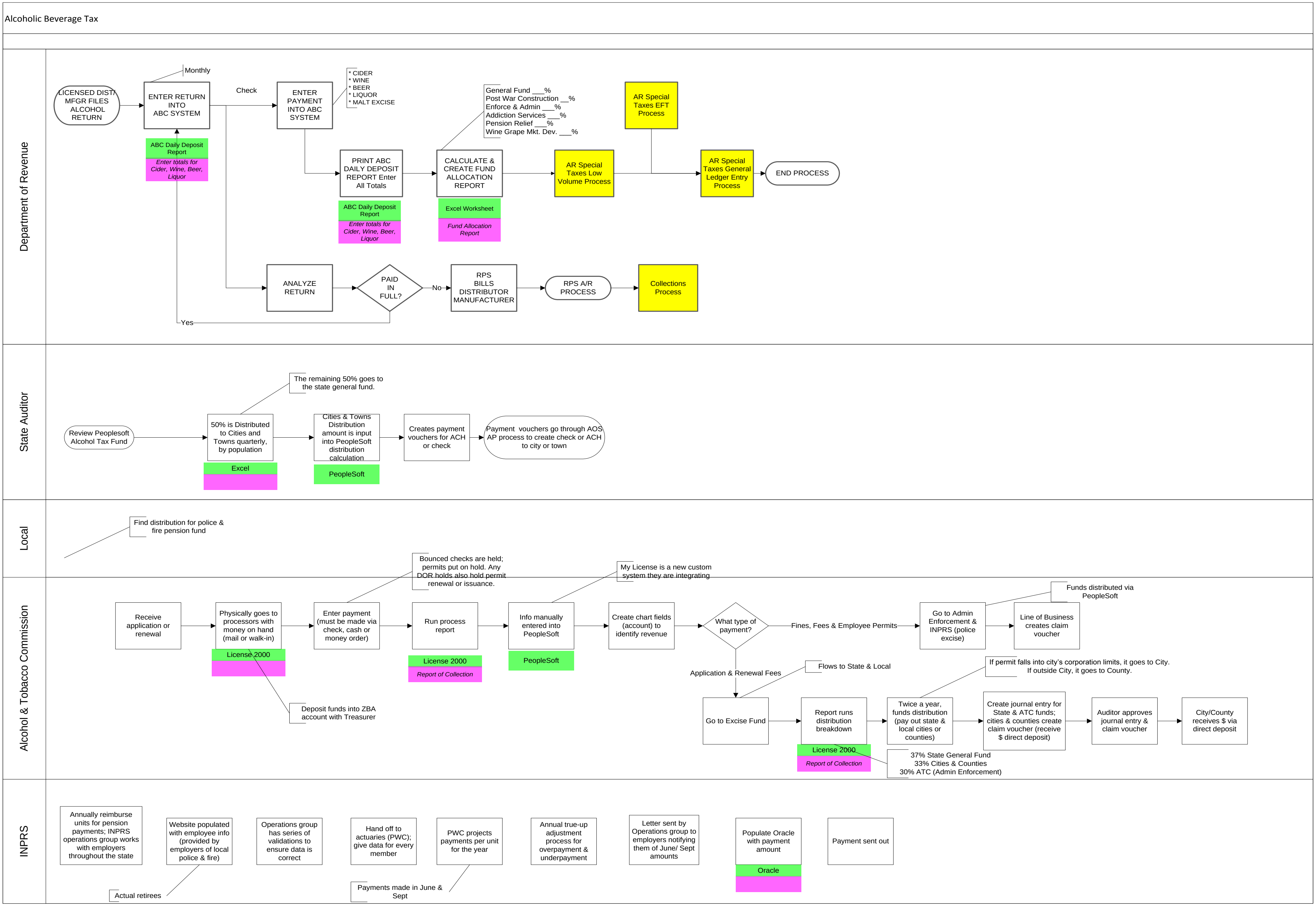
e. Finding. Currently, the ATC does not use PeopleSoft—the state's current accounting system—to track revenues and disbursements.
Recommendation. The Group recommends that the ATC use locality codes in PeopleSoft to track revenues and disbursements. This is an improvement that should be implemented not just by the ATC, but all agencies. All agencies should use PeopleSoft to the highest extent possible. This is a minor, administrative task.

f. Finding. Currently, the ATC's method of identifying ATC permits is not completely accurate.
Recommendation. The Group recommends that the ATC should consider tying addresses to existing information using the Geographic Information System (GIS) to identify ATC permits. Tying an address to the parcel and PIN numbers would consolidate information and provide more accuracy. This is a hard task that would require both administrative and legislative action.

g. Finding. Currently, the ATC does not double-check the number of permits that are allowed to the number of permits it has. Also, the ATC does not double-check where money should go locally (unincorporated vs. incorporated areas).

Recommendation. The Group recommends that the ATC check statute on ATC permits as they relate to counties distribution by population. This is a policy issue, and the ATC needs to understand the process better. This is a moderate, legislative task.

10. Map of Collection and Distribution Process. The following page contains a mapping of the Alcohol Beverage Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Alcoholic Beverage Tax
Department of Revenue
LICENSED DIST/ MFGR FILES ALCOHOL RETURN
Monthly
ENTER RETURN INTO ABC SYSTEM
ABC Daily Deposit Report
Enter totals for Cider, Wine, Beer, Liquor
Check
ENTER PAYMENT INTO ABC SYSTEM
* CIDER
* WINE
* BEER
* LIQUOR
* MALT EXCISE
PRINT ABC DAILY DEPOSIT REPORT Enter All Totals
ABC Daily Deposit Report
Enter totals for Cider, Wine, Beer, Liquor
General Fund ___%
Post War Construction __%
Enforce & Admin ___%
Addiction Services ___%
Pension Relief ___%
Wine Grape Mkt. Dev. ___%
CALCULATE & CREATE FUND ALLOCATION REPORT
Excel Worksheet
Fund Allocation Report
AR Special Taxes Low Volume Process
AR Special Taxes EFT Process
AR Special Taxes General Ledger Entry Process
END PROCESS
ANALYZE RETURN
PAID IN FULL?
No
Yes
RPS BILLS DISTRIBUTOR MANUFACTURER
RPS A/R PROCESS
Collections Process
State Auditor
Review Peoplesoft Alcohol Tax Fund
The remaining 50% goes to the state general fund.
50% is Distributed to Cities and Towns quarterly, by population
Excel
Cities & Towns Distribution amount is input into PeopleSoft distribution calculation
PeopleSoft
Creates payment vouchers for ACH or check
Payment vouchers go through AOS AP process to create check or ACH to city or town
Local
Find distribution for police & fire pension fund
Alcohol & Tobacco Commission
Bounced checks are held; permits put on hold. Any DOR holds also hold permit renewal or issuance.
My License is a new custom system they are integrating
Receive application or renewal
Physically goes to processors with money on hand (mail or walk-in)
License 2000
Deposit funds into ZBA account with Treasurer
Enter payment (must be made via check, cash or money order)
Run process report
License 2000
Report of Collection
Info manually entered into PeopleSoft
PeopleSoft
Create chart fields (account) to identify revenue
What type of payment?
Fines, Fees & Employee Permits
Go to Admin Enforcement & INPRS (police excise)
Funds distributed via PeopleSoft
Line of Business creates claim voucher
Application & Renewal Fees
Flows to State & Local
Go to Excise Fund
Report runs distribution breakdown
License 2000
Report of Collection
37% State General Fund
33% Cities & Counties
30% ATC (Admin Enforcement)
If permit falls into city's corporation limits, it goes to City. If outside City, it goes to County.
Twice a year, funds distribution (pay out state & local cities or counties)
Create journal entry for State & ATC funds; cities & counties create claim voucher (receive $ direct deposit)
Auditor approves journal entry & claim voucher
City/County receives $ via direct deposit
INPRS
Annually reimburse units for pension payments; INPRS operations group works with employers throughout the state
Website populated with employee info (provided by employers of local police & fire)
Actual retirees
Operations group has series of validations to ensure data is correct
Hand off to actuaries (PWC); give data for every member
Payments made in June & Sept
PWC projects payments per unit for the year
Annual true-up adjustment process for overpayment & underpayment
Letter sent by Operations group to employers notifying them of June/ Sept amounts
Populate Oracle with payment amount
Oracle
Payment sent out

E. Auto Rental Excise Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 102 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-9.

2. Taxpayer. Any person who rents an automobile or truck weighing less than 11,000 pounds for a period of less than 30 days.

3. Tax Base. The gross retail income the retail merchant receives for the rental.

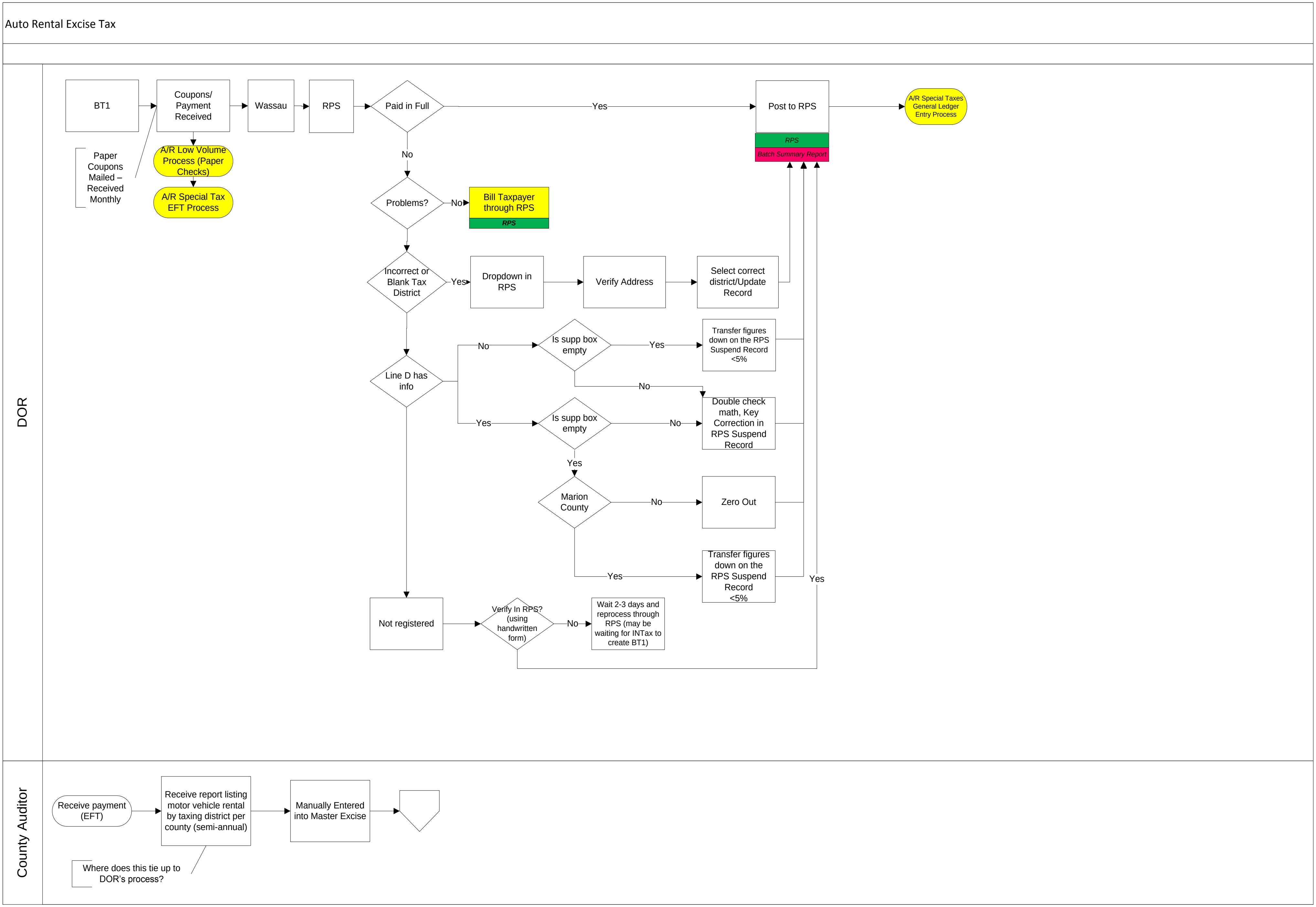
4. Tax Rate. Four percent of the gross retail income from the transaction.

5. Local Distribution. On May 20 and November 20, all amounts held in the Auto Rental Excise Tax Account are distributed to counties. The amount distributed equals that part of the tax initially imposed and collected from within the county. The county auditor apportions and the county treasurer distributes the taxes among the taxing units in the county. The distribution will be in the same manner that property taxes are apportioned and distributed.

6. Authorization. Indiana General Assembly.

7. Administration. Department of Revenue.

8. Map of Collection and Distribution Process. The following page contains a mapping of the Auto Rental Excise Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Auto Rental Excise Tax
DOR
BT1
Coupons/ Payment Received
Wassau
RPS
Paid in Full
Yes
Post to RPS
RPS
Batch Summary Report
A/R Special Taxes General Ledger Entry Process
Paper Coupons Mailed – Received Monthly
A/R Low Volume Process (Paper Checks)
A/R Special Tax EFT Process
No
Problems?
No
Bill Taxpayer through RPS
RPS
Incorrect or Blank Tax District
Yes
Dropdown in RPS
Verify Address
Select correct district/Update Record
Line D has info
No
Is supp box empty
Yes
Transfer figures down on the RPS Suspend Record <5%
No
Double check math, Key Correction in RPS Suspend Record
Yes
Is supp box empty
No
Yes
Marion County
No
Zero Out
Yes
Transfer figures down on the RPS Suspend Record <5%
Yes
Not registered
Verify In RPS? (using handwritten form)
No
Wait 2-3 days and reprocess through RPS (may be waiting for INTax to create BT1)
County Auditor
Receive payment (EFT)
Receive report listing motor vehicle rental by taxing district per county (semi-annual)
Manually Entered into Master Excise
Where does this tie up to DOR's process?

F. Cigarette and Other Tobacco Products Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 7-8 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-7.

2. Taxpayer. Distributors/manufacturers purchase tax stamps.

3. Tax Base. Cartons or packs of cigarettes and cigarette papers, wrappers, and tubes. Cigarettes are taxed at 99.5 cents per pack of 20 cigarettes and 124.375 cents per pack of 25 cigarettes. Other tobacco products (OTP) such as chewing tobacco, snuff, cigars, and pipe tobacco are taxed at 24% of wholesale cost. Other minor taxes are imposed on cigarette papers and tubes. Distributors must pay an annual registration fee of $500.

4. Procedure. For the Cigarette Tax, distributors/manufacturers are required to purchase tax stamps within six days after they accept delivery of the cigarettes. The DoR receives the payment and tracks the stamps through its in-house computer system CIGTAX. For the OTP Tax, the licensed distributer/manufacturer files an OTP return with the DoR. The DoR enters the return into its OTP database and analyzes the return to ensure that it is paid in full. The AOS reviews the PeopleSoft Cigarette Tax Fund and makes distributions.

5. Distribution. The following chart lists the funds that receive a percentage of the Cigarette and OTP Tax distributions. Of the amount distributed to the Cigarette Tax Fund, 1/6 goes to the Department of Natural Resources, 1/6 is deposited in the Clean Water Indiana Fund, and 2/3 goes to cities and towns semi-annually based on population.

	Distribution
Medicaid Reimbursements	2.46%
Health Initiative Fund	--
State Retiree Health Benefit Trust Fund*	5.74%
Reimbursement State General Fund for Health Plan Tax Credit	--
Cigarette Tax Fund	4.22%
Mental Health Centers Fund	0.6%
State General Fund	53.68%
Pension Relief Fund	5.43%
Indiana Check-up Plan Trust Fund	27.05%
Affordable Housing and Community Development Fund (AHCDF)	25% of OTP

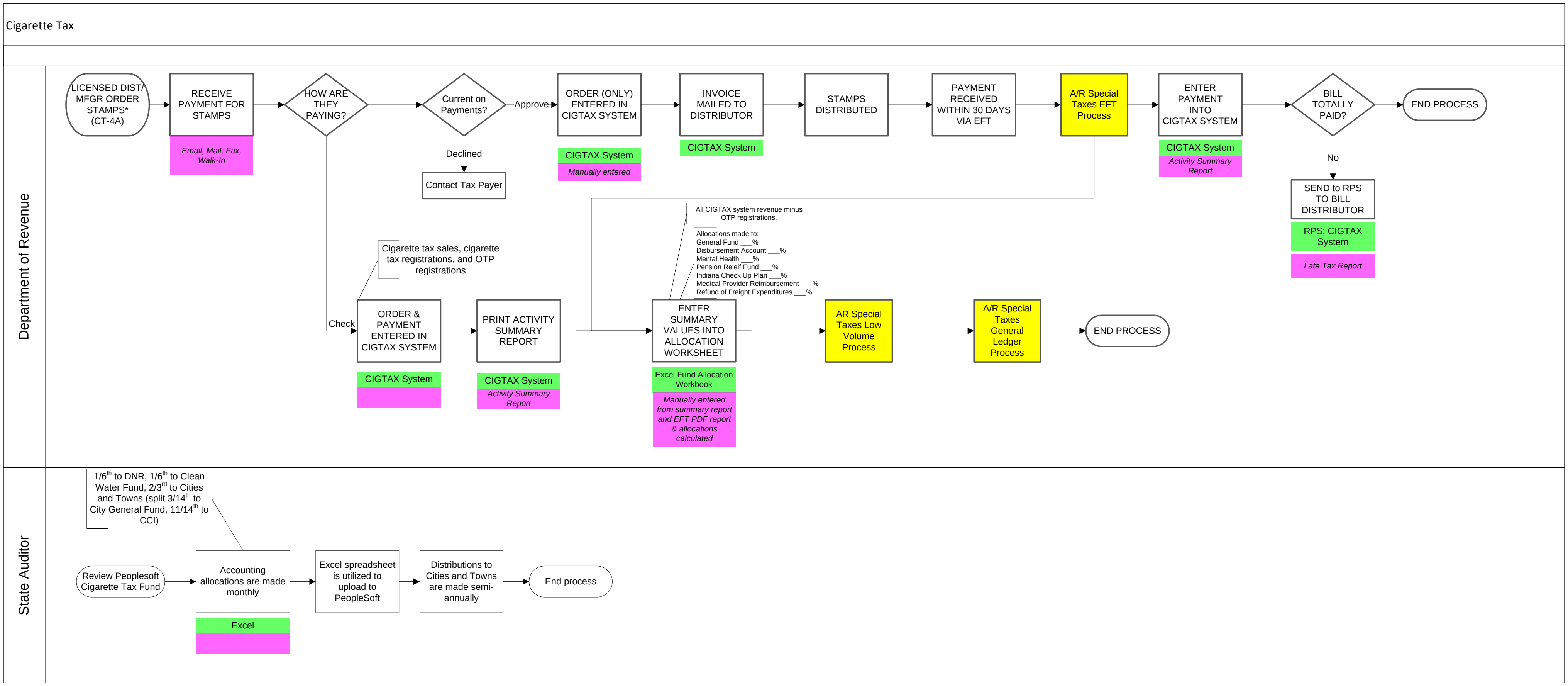
For FY 2012 and 2013, distribution to the State Retiree Health Benefit Trust Fund will be deposited in the state General Fund.

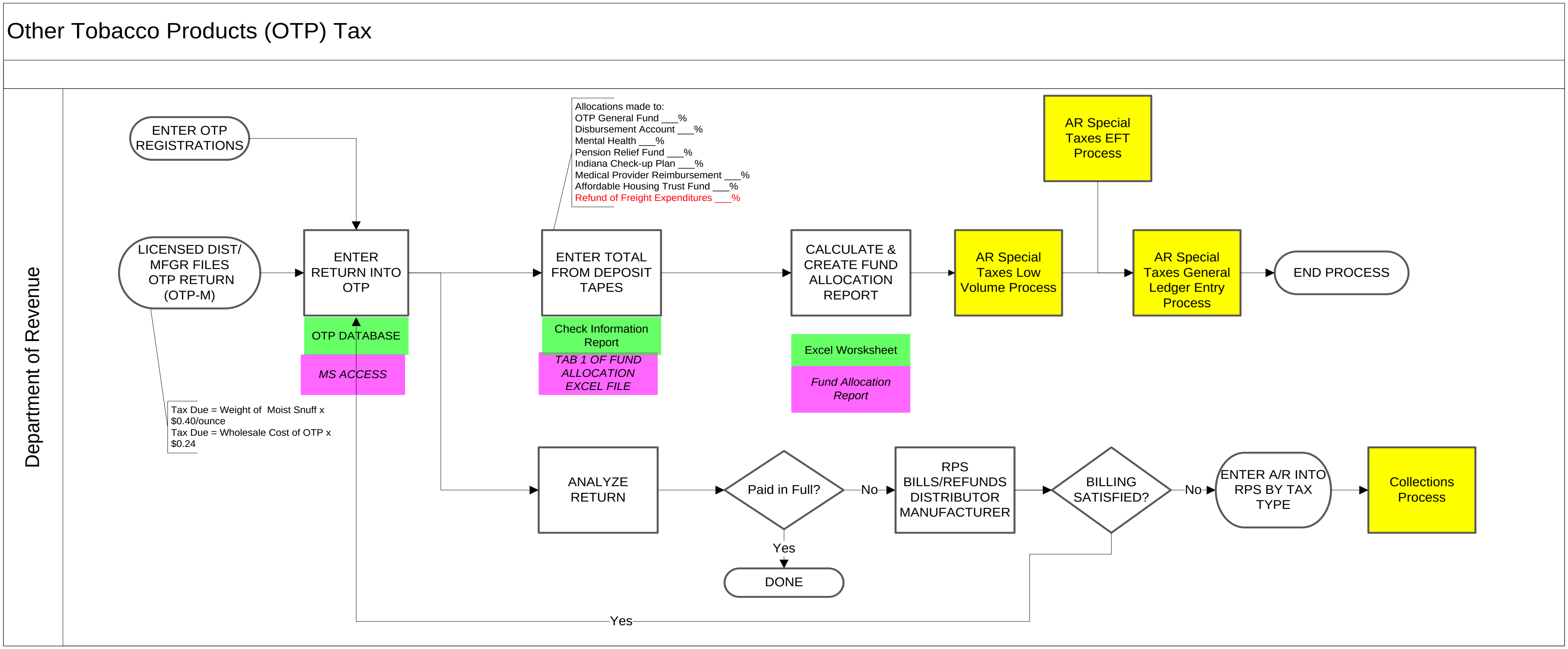
6. Administration. Special Tax Division of the DoR.

7. Finding and Recommendation.

   a. Finding. Currently, when the DoR gets refund claims, they are paid from the state general fund. The general fund is never reimbursed by the original revenue source. The general fund should not be paying for the loss from those refunds, the tax collections should be netted against refunds.
      Recommendation. The Group recommends that refunds provided from the OTP Tax be credited back to the original funds that the original receipts were received from. This is a moderate/hard task that would require both administrative and legislative action.

8. Maps of Collection and Distribution Processes. The following pages contain mappings of the (1) Cigarette Tax; and (2) OTP Tax that follows all of the steps and formulas that apply from the time the taxes are collected until its final distribution.


Cigarette Tax
Department of Revenue
LICENSED DIST/ MFGR ORDER STAMPS* (CT-4A)
RECEIVE PAYMENT FOR STAMPS
Email, Mail, Fax, Walk-In
HOW ARE THEY PAYING?
Current on Payments?
Approve
Declined
Contact Tax Payer
ORDER (ONLY) ENTERED IN CIGTAX SYSTEM
CIGTAX System
Manually entered
INVOICE MAILED TO DISTRIBUTOR
CIGTAX System
STAMPS DISTRIBUTED
PAYMENT RECEIVED WITHIN 30 DAYS VIA EFT
A/R Special Taxes EFT Process
ENTER PAYMENT INTO CIGTAX SYSTEM
CIGTAX System
Activity Summary Report
BILL TOTALLY PAID?
END PROCESS
No
SEND to RPS TO BILL DISTRIBUTOR
RPS; CIGTAX System
Late Tax Report
Check
Cigarette tax sales, cigarette tax registrations, and OTP registrations
ORDER & PAYMENT ENTERED IN CIGTAX SYSTEM
CIGTAX System
PRINT ACTIVITY SUMMARY REPORT
CIGTAX System
Activity Summary Report
All CIGTAX system revenue minus OTP registrations.
Allocations made to:
General Fund ___%
Disbursement Account ___%
Mental Health ___%
Pension Releif Fund ___%
Indiana Check Up Plan ___%
Medical Provider Reimbursement ___%
Refund of Freight Expenditures ___%
ENTER SUMMARY VALUES INTO ALLOCATION WORKSHEET
Excel Fund Allocation Workbook
Manually entered from summary report and EFT PDF report & allocations calculated
AR Special Taxes Low Volume Process
A/R Special Taxes General Ledger Process
END PROCESS
State Auditor
1/6th to DNR, 1/6th to Clean Water Fund, 2/3rd to Cities and Towns (split 3/14th to City General Fund, 11/14th to CCI)
Review Peoplesoft Cigarette Tax Fund
Accounting allocations are made monthly
Excel
Excel spreadsheet is utilized to upload to PeopleSoft
Distributions to Cities and Towns are made semi-annually
End process


Other Tobacco Products (OTP) Tax
Department of Revenue
ENTER OTP REGISTRATIONS
LICENSED DIST/ MFGR FILES OTP RETURN (OTP-M)
ENTER RETURN INTO OTP
OTP DATABASE
MS ACCESS
Tax Due = Weight of Moist Snuff x $0.40/ounce
Tax Due = Wholesale Cost of OTP x $0.24
Allocations made to:
OTP General Fund ___%
Disbursement Account ___%
Mental Health ___%
Pension Relief Fund ___%
Indiana Check-up Plan ___%
Medical Provider Reimbursement ___%
Affordable Housing Trust Fund ___%
Refund of Freight Expenditures ___%
ENTER TOTAL FROM DEPOSIT TAPES
Check Information Report
TAB 1 OF FUND ALLOCATION EXCEL FILE
CALCULATE & CREATE FUND ALLOCATION REPORT
Excel Worksheet
Fund Allocation Report
AR Special Taxes EFT Process
AR Special Taxes Low Volume Process
AR Special Taxes General Ledger Entry Process
END PROCESS
ANALYZE RETURN
Paid in Full?
No
Yes
DONE
RPS BILLS/REFUNDS DISTRIBUTOR MANUFACTURER
BILLING SATISFIED?
No
Yes
ENTER A/R INTO RPS BY TAX TYPE
Collections Process

G. Commercial Vehicle Excise Tax (CVET).

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 102-105 (Fiscal Year 2011).

A. Statutory Authority. Ind. Code § 6-6-5.5.

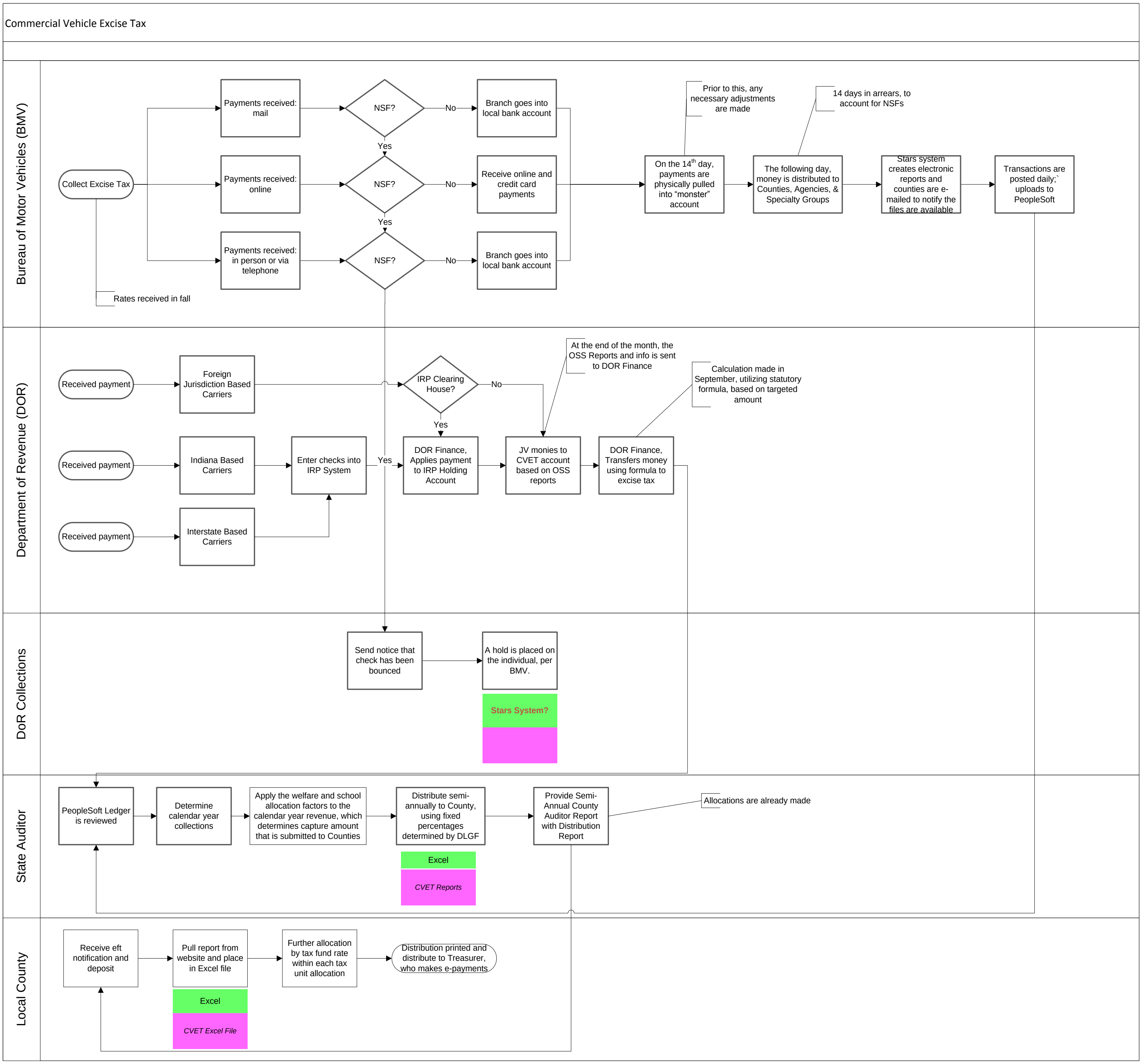
B. Tax Base. Vehicle registration fee based on the plated weight of the vehicle.

C. Tax Rate. The tax rate is set annually by dividing the predetermined base revenue amount by the amount of total commercial vehicle registration fees received in the previous fiscal year. The resulting factor is applied to the current statutory registration fees to determine the CVET amount. IRP registration fees are apportioned based on interstate mileage, resulting in a mileage apportionment for CVET fees as well. CVET fees are reduced by 50% for farm vehicles.

D. Procedure. The BMV collects CVET payments from owners of intrastate commercial vehicles, pulls all sufficient payments into a "monster" account, and distributes money to counties, agencies, and specialty groups. The BMV then creates electronic reports via the STAR system, emails counties to notify them that these reports are available, posts transactions and uploads them onto PeopleSoft. The DoR collects CVET payments from owners of interstate commercial vehicles. The DoR enters payments into the International Registration Plan (IRP) system, joint venture monies are distributed to the CVET account based on OSS reports, and the DoR transfers money using formula to excise tax. The CVET owed by out-of-state-based commercial vehicles is collected by the IRP authority in the state of registration. Tax collections are placed in the CVET Fund and distributed by the AOS to the county auditors for distribution to local units.

E. Distribution. The AOS distributes revenues semi-annually to counties, using fixed percentages determined by the Department of Local Government Finance (DLGF). A portion of the revenue is retained by the state. The amount retained equals the CVET distributions that would have been based on property tax levies for the school general fund, preschool special education fund, child welfare funds, and the health care for the indigent fund if the state had not assumed funding beginning in 2009.

F. Map of Collection and Distribution Process. The following page contains a mapping of the Commercial Vehicle Excise Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Commercial Vehicle Excise Tax
Bureau of Motor Vehicles (BMV)
Collect Excise Tax
Rates received in fall
Payments received: mail
Payments received: online
Payments received: in person or via telephone
NSF?
No
Yes
Branch goes into local bank account
Receive online and credit card payments
Prior to this, any necessary adjustments are made
On the 14th day, payments are physically pulled into "monster" account
14 days in arrears, to account for NSFs
The following day, money is distributed to Counties, Agencies, & Specialty Groups
Stars system creates electronic reports and counties are e-mailed to notify the files are available
Transactions are posted daily;` uploads to PeopleSoft
Department of Revenue (DOR)
Received payment
Foreign Jurisdiction Based Carriers
Indiana Based Carriers
Interstate Based Carriers
Enter checks into IRP System
IRP Clearing House?
DOR Finance, Applies payment to IRP Holding Account
At the end of the month, the OSS Reports and info is sent to DOR Finance
JV monies to CVET account based on OSS reports
Calculation made in September, utilizing statutory formula, based on targeted amount
DOR Finance, Transfers money using formula to excise tax
DoR Collections
Send notice that check has been bounced
A hold is placed on the individual, per BMV.
Stars System?
State Auditor
PeopleSoft Ledger is reviewed
Determine calendar year collections
Apply the welfare and school allocation factors to the calendar year revenue, which determines capture amount that is submitted to Counties
Distribute semi-annually to County, using fixed percentages determined by DLGF
Excel
CVET Reports
Provide Semi-Annual County Auditor Report with Distribution Report
Allocations are already made
Local County
Receive eft notification and deposit
Pull report from website and place in Excel file
Excel
CVET Excel File
Further allocation by tax fund rate within each tax unit allocation
Distribution printed and distribute to Treasurer, who makes e-payments

H. County Motor Vehicle Excise Surtax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 105-107 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-3.5-4.

2. Taxpayer. Owners of vehicles liable for the Motor Vehicle Excise Tax who reside in a county that imposes the tax.

3. Tax Base. Passenger cars, motorcycles, and trucks with a gross weight of 11,000 pounds or less.

4. Rate. Adopting counties may impose the surtax at rates ranging between 2% and 10% of the excise tax that would have been due under the pre-1996 excise tax rate table. However, the surtax may not be less than $7.50. Counties also have the option of imposing a flat fee. The fee must be at least $7.50 and may not exceed $25.00.

5. Procedure. The surtax is paid when the vehicle is registered. Fifteen cents of the surtax collected for each transaction is deposited in the State License Branch Fund.

6. Local Distribution. The county auditor allocates money in the Excise Surtax Fund to each city, town, and county based on the formula for the Local Road and Street Account. Revenue is used to construct, reconstruct, repair, or maintain streets and roads.

7. Authorization. Indiana General Assembly.

8. Administration. The license branch in each county that adopts the tax is responsible for collecting the taxes.

9. Map of Collection and Distribution Process. *Same as the Motor Vehicle Excise Tax. *See* p. 64.*

I. County Slot Machine Wagering Fee.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 43 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 4-35-8.5.

2. Taxpayer. A pari-mutuel racetrack owner who holds a license to conduct slot machine gaming at the owner's racetrack.

3. Tax Base. Adjusted gross receipts (AGR), which are wagers minus winnings and uncollectible receivables.

4. Tax Rate. Three percent of AGR up to $8 M annually.

5. Local Distribution. Revenue from the fee is distributed to the county auditor of the county in which the racetrack is located. The revenue must be divided on a per capita basis between the county and cities and towns within the county.

6. Authorization. Indiana General Assembly.

7. Administration. Indiana Gaming Commission.

J. County Wheel Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 105-107 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-3.5-5.

2. Taxpayer. Owners taxable vehicles who reside in a county that imposes the tax. A county must adopt or rescind both taxes simultaneously.

3. Tax Base. Buses, recreational vehicles, semi-trailers, tractors, trailers over 3,000 pounds, and trucks not subject to the County Motor Vehicle Excise Surtax.

4. Tax Rate. Adopting counties may impose different tax rates for each particular class of vehicle, and for each weight classification within the class of vehicle. The rate must be between $5 and $40.

5. Procedure. The tax is paid to the BMV when the vehicle is registered. The BMV pulls all sufficient payments into a "monster" account, from which money is distributed to counties, agencies, and specialty groups. The BMV creates electronic reports via the STAR system, emails counties to notify them that these reports are available, posts transactions, and uploads the transactions to PeopleSoft on a monthly basis. $0.15 of the tax collected for each transaction is deposited in the State License Branch Fund.

6. Local Distribution. The county auditor pulls reports from the BMV monthly, calculates distribution amounts to cities, towns, and county on a pro-rata basis, and sends the distribution spreadsheet to the county treasurer for payment processing. The county auditor allocates money in the Wheel Tax Fund to each city, town, and the county. Revenue is used to construct, reconstruct, repair, or maintain streets and roads.

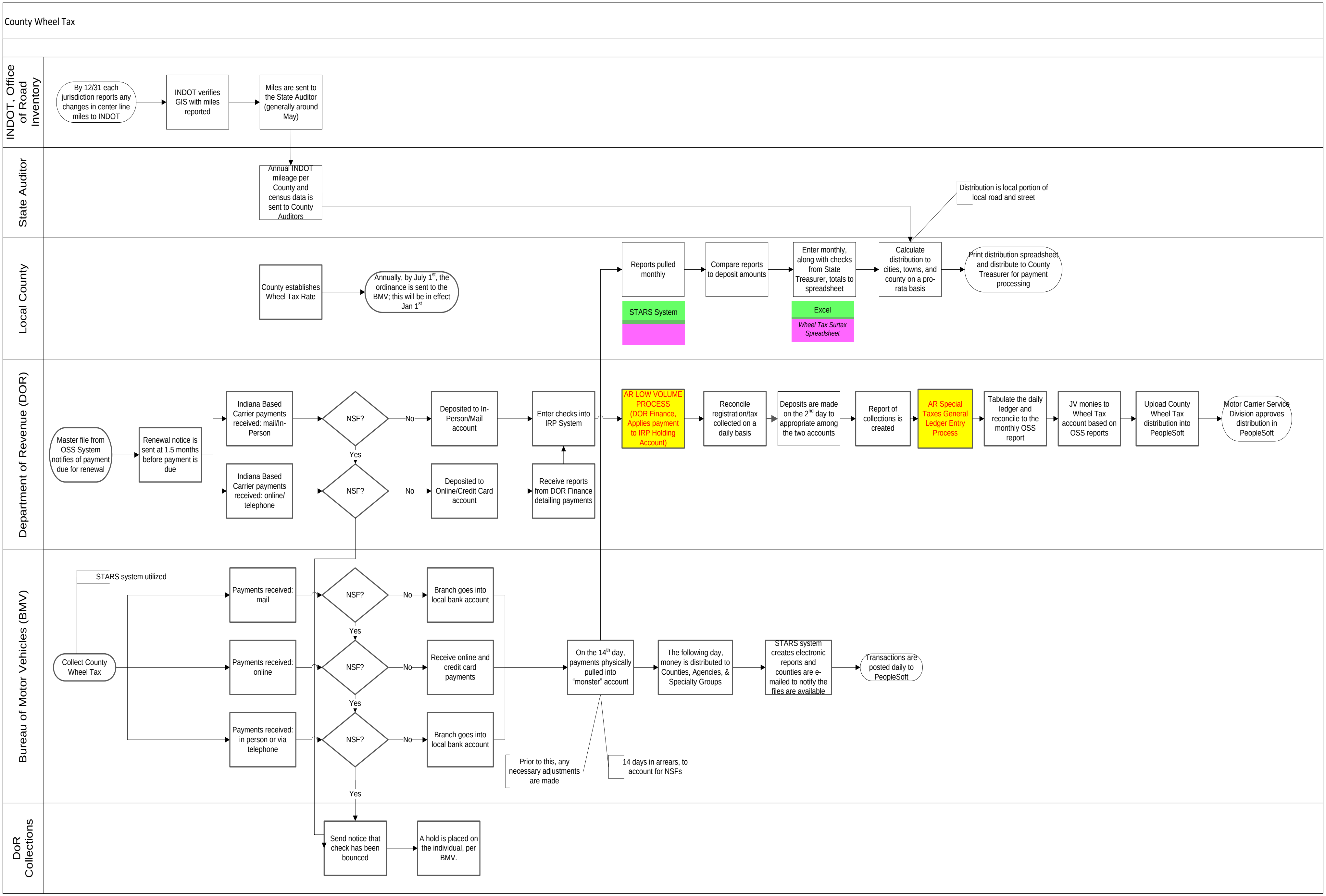
7. Authorization. Indiana General Assembly.

8. Administration. The license branch in each county that adopts the tax is responsible for collecting the taxes.

9. Finding and Recommendation.

   a. Finding. Currently, population is not updated for the County Wheel Tax for annexation unless a city sends a request to its census bureau for restatement of population. Accordingly, population numbers used for distribution may not be updated because a city failed to request a restatement.
      Recommendation. The Group recommends that each local unit stays conscious of its obligation to update its population.

10. Map of Collection and Distribution Process. The following page contains a mapping of the County Wheel Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


County Wheel Tax
INDOT, Office of Road Inventory
By 12/31 each jurisdiction reports any changes in center line miles to INDOT
INDOT verifies GIS with miles reported
Miles are sent to the State Auditor (generally around May)
State Auditor
Annual INDOT mileage per County and census data is sent to County Auditors
Distribution is local portion of local road and street
Local County
County establishes Wheel Tax Rate
Annually, by July 1st, the ordinance is sent to the BMV; this will be in effect Jan 1st
Reports pulled monthly
STARS System
Compare reports to deposit amounts
Enter monthly, along with checks from State Treasurer, totals to spreadsheet
Excel
Wheel Tax Surtax Spreadsheet
Calculate distribution to cities, towns, and county on a pro-rata basis
Print distribution spreadsheet and distribute to County Treasurer for payment processing
Department of Revenue (DOR)
Master file from OSS System notifies of payment due for renewal
Renewal notice is sent at 1.5 months before payment is due
Indiana Based Carrier payments received: mail/In-Person
Indiana Based Carrier payments received: online/telephone
NSF?
No
Yes
Deposited to In-Person/Mail account
Deposited to Online/Credit Card account
Enter checks into IRP System
Receive reports from DOR Finance detailing payments
AR LOW VOLUME PROCESS (DOR Finance, Applies payment to IRP Holding Account)
Reconcile registration/tax collected on a daily basis
Deposits are made on the 2nd day to appropriate among the two accounts
Report of collections is created
AR Special Taxes General Ledger Entry Process
Tabulate the daily ledger and reconcile to the monthly OSS report
JV monies to Wheel Tax account based on OSS reports
Upload County Wheel Tax distribution into PeopleSoft
Motor Carrier Service Division approves distribution in PeopleSoft
Bureau of Motor Vehicles (BMV)
STARS system utilized
Collect County Wheel Tax
Payments received: mail
Payments received: online
Payments received: in person or via telephone
Branch goes into local bank account
Receive online and credit card payments
On the 14th day, payments physically pulled into "monster" account
The following day, money is distributed to Counties, Agencies, & Specialty Groups
STARS system creates electronic reports and counties are e-mailed to notify the files are available
Transactions are posted daily to PeopleSoft
Prior to this, any necessary adjustments are made
14 days in arrears, to account for NSFs
DoR Collections
Send notice that check has been bounced
A hold is placed on the individual, per BMV.

K. Financial Institutions Tax (FIT).

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 19-21 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-5.5.

2. Taxpayer. Any business which is primarily engaged in the business of extending credit, engaged in leasing that is the economic equivalent of extending credit, or credit card operations. Insurance companies, international banking facilities, federally chartered credit unions, and S corporations are exempt.

3. Tax Base. The tax base for financial institutions (except credit unions) is apportioned adjusted AGI.

4. Tax Rate. 8.5%.

5. Procedure. The taxpayer registers annually via FIT20 and voucher is mailed to the DoR. The taxpayer is defined as FIT if 80% or more of gross income is derived from making, acquiring, selling or servicing loans or extensions of credit. The DoR manually enters and posts voucher into RPS. The DLGF receives bank personal property net assessed value from the county auditor, creates an electronic report using certified current year property tax rates, and distributes the report to counties. The AOS calculates quarterly distributions to counties and to state funds, processes payments through PeopleSoft, sends ACH to county, and posts the general ledger journal to PeopleSoft for the state General Fund allocations.

6. Local Distribution. The county auditor receives a distribution notification from the State, verifies the amounts match the DLGF report, semiannually distributes to tax units per DLGF, and sends notification to the units and county treasurer (who processes payment). Local units of government are guaranteed revenues equal to: (1) the amount received by the taxing unit under the former FITs in 1989; minus (2) the amount to be received by the taxing unit in the year of the distribution from property taxes attributable to personal property of banks. The remaining revenue collected is deposited in the General Fund. A portion of the local revenue described in (1) is recaptured by the State. The amount recaptured equals the FIT distribution that would have been based on property tax levies that were assumed by the state in 2009.

7. Authorization. Indiana General Assembly.

8. Administration. Department of Revenue.

9. Findings and Recommendations.

   a. Finding. Currently, the quarterly report that is filed with the DoR is manually entered into the Returns Processing System (RPS). Manual input may cause errors.

Recommendation. The Group recommends that the DoR consider ways of doing electronic transmissions of data. This is a moderate, administrative task.

b. Finding. Currently, estimated payments made by corporate taxpayers are self-identifying as to whether the taxpayer is to be taxed as a corporation or as a financial institution. If the taxpayer incorrectly identifies itself, the revenue is credited to the wrong account. The error is not caught until audit by the DoR.
Recommendation. In short term, the Group recommends that the DoR seek ways to improve taxpayer awareness of this issue. In the long term, the Group recommends that the DoR modify INtax—Indiana's free online tool for businesses to manage their tax obligations—to self-check when a taxpayer enters its own information. A validation of whether the filer would alleviate revenue from being credited to the wrong account. This is a moderate/hard task that will require administrative action.

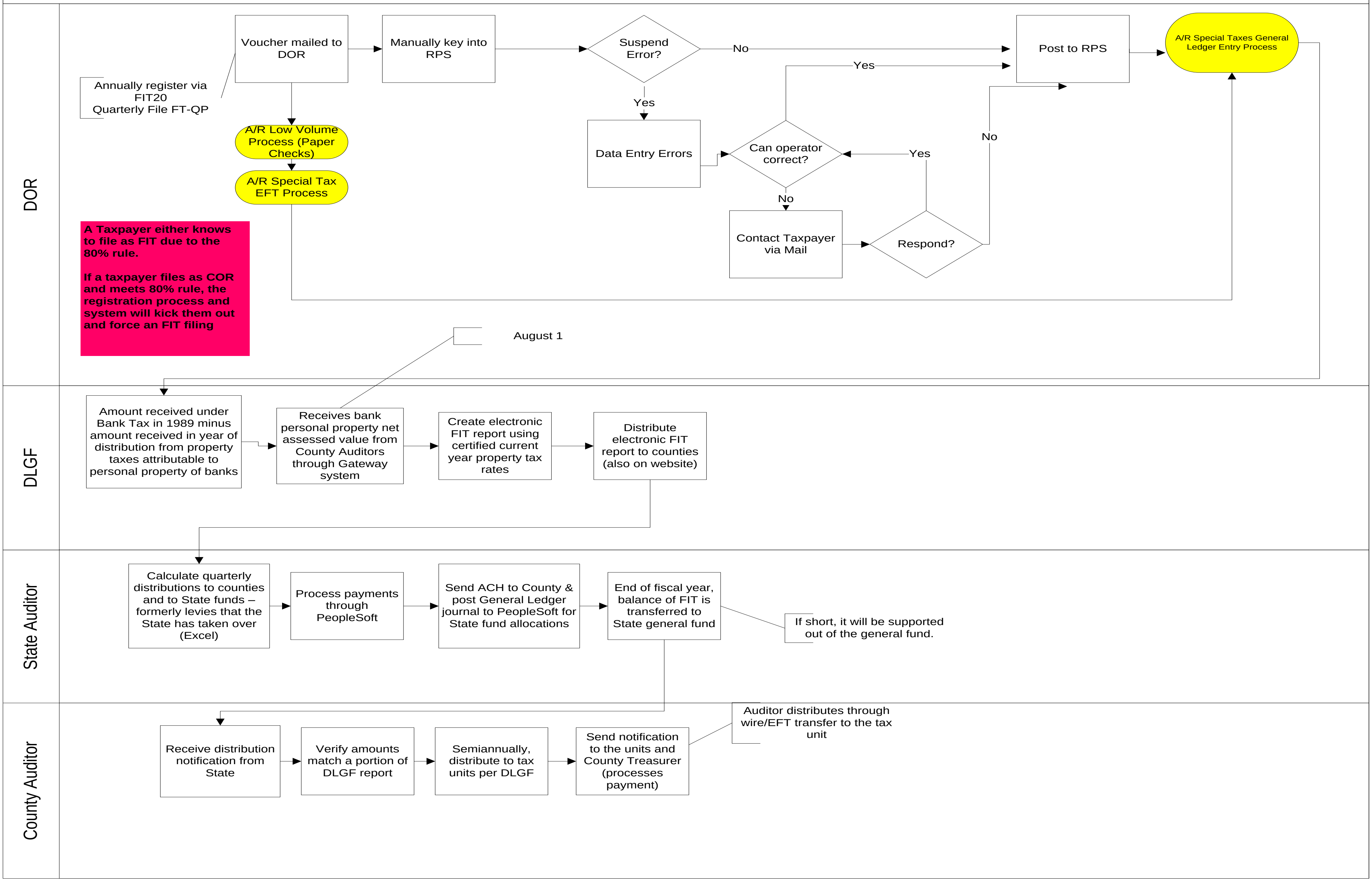
c. Finding. Currently, the AOS is never able to meet the statutory February distribution date. Distribution usually occurs in May and November.
Recommendation. The Group recommends that the statutory distribution date be changed to May and November. This is a minor, legislative change.

d. Finding. Statute requires a supplemental distribution of FIT if the DoR estimates a surplus (*see* IC 6-5.5-8-2(d)). Currently, the DoR does not estimate revenues.
Recommendation. The Group recommends that the DoR begin estimating revenues. A legislative change is recommended to base the estimate on the collections from the prior fiscal year. This is a minor/moderate task that will first require administrative action, then legislative action.

10. Map of Collection and Distribution Process. The following page contains a mapping of the FIT that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.

Financial Institutions Tax

Tax payer is “FIT” if 80% or more of gross income derived from making, acquiring, selling or servicing loans or extensions of credit



L. Food and Beverage Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 76-78 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-9.

2. Taxpayer. Purchasers of food and beverages prepared for consumption at a location or on equipment provided by a retail merchant.

3. Tax Base. Gross retail income received by merchant from sale of food and beverage.

4. Tax Rate. One percent of the sale price. An alternative 1% is allowed for units adopting under IC 6-9-35 for a combined rate of 2%.

5. Procedure. All retail merchants purchasing food and beverages must file a BT-1 voucher with the DoR. The DoR analyzes the return for any errors and posts the sufficient return to its RPS. The AOS reviews the Food and Beverage Tax accounts on PeopleSoft before distribution.

6. Local Distribution. Revenue from the Food and Beverage Tax is paid monthly by the State Treasurer to the unit upon warrants issued by the AOS. One-hundred percent is distributed to local units, such as the counties, cities, or towns, or other civil units, per statute. The entity then distributes revenues in accordance with statute for that respective entity. Counties adjacent to Marion County that have adopted the Food and Beverage Tax under IC 6-9-35, have 50% of their revenue collections transferred to the Marion County Capital Improvement Board (MCCIB) to construct the new Marion County stadium and expand/improve the Indiana Convention Center. If total collections transferred to MCCIB were to reach $5 M in a given year, any revenue transferred to the MCCIB in excess of the $5 M would be returned to those counties. The remaining 50% of collections are retained by an adjacent county to assist with the county's budget, reduce the county's property tax levy, or be used for any legal or corporate purpose.

7. Authorization. Indiana General Assembly.

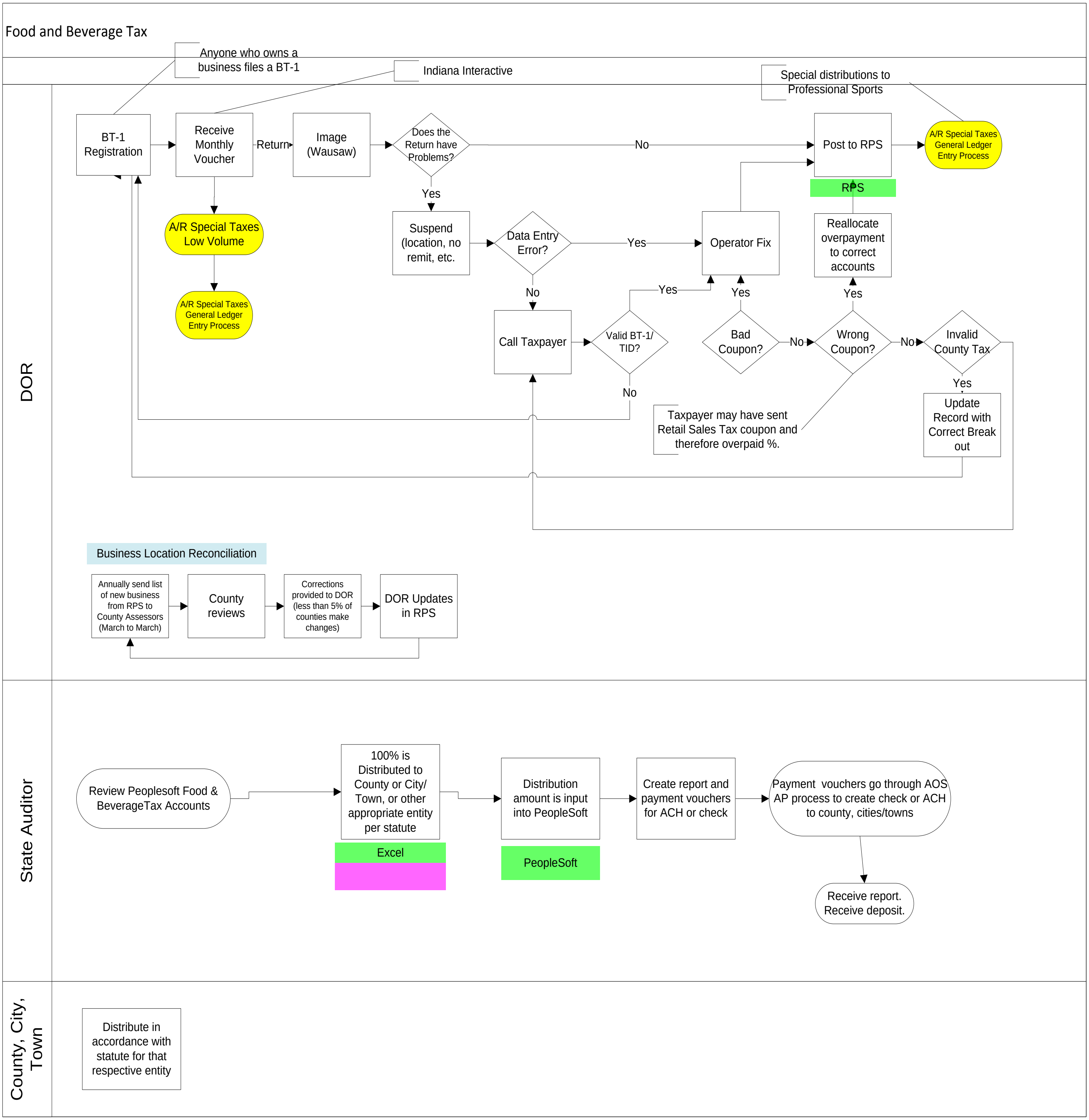
8. Administration. Sales Tax Division of the DoR.

9. Findings and Recommendations.

    a. Finding. Currently, the DoR does not have a completely accurate system for identifying an entity submitting taxes. Without an accurate location of the establishment, the distribution is affected, hard to track, and data differs from the state and locals.
    Recommendation. The Group recommends that the DoR considers using the state GIS system to track entities. This is a moderate, administrative task.

b. Finding. Currently, local units cannot get a detailed listing of payers. Without a detailed listing of submitting establishments, the locals have no ability to verify the accuracy of the distribution.
   Recommendation. The Group recommends that the DoR continue its pilot program of providing the local unit with detailed listings of tax payers in Allen County in order to find solutions to this related issue. This is a moderate, administrative task.

10. Map of Collection and Distribution Process. The following page contains a mapping of the Food and Beverage Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Food and Beverage Tax
Anyone who owns a business files a BT-1
Indiana Interactive
Special distributions to Professional Sports
DOR
BT-1 Registration
Receive Monthly Voucher
Return
Image (Wausaw)
Does the Return have Problems?
No
Post to RPS
A/R Special Taxes General Ledger Entry Process
RPS
Yes
A/R Special Taxes Low Volume
A/R Special Taxes General Ledger Entry Process
Suspend (location, no remit, etc.
Data Entry Error?
Yes
Operator Fix
Reallocate overpayment to correct accounts
No
Yes
Yes
Yes
Call Taxpayer
Valid BT-1/ TID?
Bad Coupon?
No
Wrong Coupon?
No
Invalid County Tax
Yes
No
Update Record with Correct Break out
Taxpayer may have sent Retail Sales Tax coupon and therefore overpaid %.
Business Location Reconciliation
Annually send list of new business from RPS to County Assessors (March to March)
County reviews
Corrections provided to DOR (less than 5% of counties make changes)
DOR Updates in RPS
State Auditor
Review Peoplesoft Food & BeverageTax Accounts
100% is Distributed to County or City/ Town, or other appropriate entity per statute
Excel
Distribution amount is input into PeopleSoft
PeopleSoft
Create report and payment vouchers for ACH or check
Payment vouchers go through AOS AP process to create check or ACH to county, cities/towns
Receive report. Receive deposit.
County, City, Town
Distribute in accordance with statute for that respective entity

M. Gasoline Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 26-28 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-1.1.

2. Taxpayer. Licensed gasoline distributors who are the first to receive the gasoline in the state. The tax is added to the selling price.

3. Tax Base. All invoiced gallons of gasoline received less any authorized deductions.

4. Tax Rate. The current rate of tax per gallon is $0.18.

5. Procedure. Licensed distributors file monthly tax returns with the DoR based on invoiced gallons received minus a 1.6% distributor allowance to cover evaporation, shrinkage, losses, and collection expenses. Information reports and tax payments are due (or must be postmarked) by the 20th day of each month. The DoR automatically downloads the return or enters the return into its RPS.

6. Local Distribution. The Gasoline Tax revenue is distributed in the following manner:

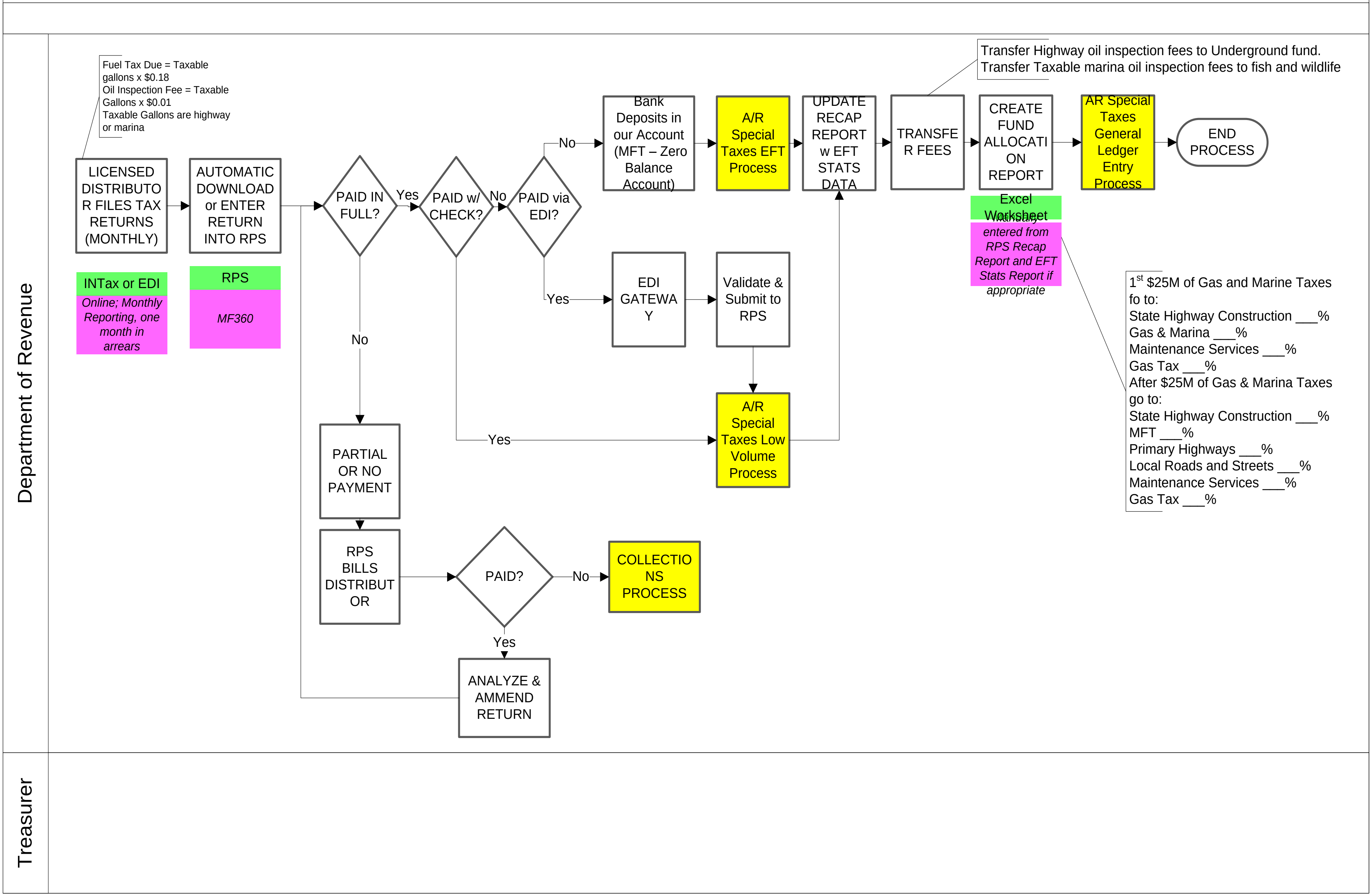
   a. One-ninth of the total tax collected is deposited into the State Highway Road Construction and Improvement Fund (Bonding).
   b. One-eighteenth of the total tax collected is deposited into the State Highway Fund (INDOT).
   c. One-eighteenth of the total tax collected is deposited into the Gas Tax Fund for later distribution through the Motor Vehicle Highway Account formula.
   d. Twenty-five million dollars is deposited into the Special Distribution Account, 60% of which is distributed to local units and 40% is distributed to the State Highway Fund (INDOT).
   e. Of the remainder, 75% is deposited into the Motor Fuel Tax Fund (Motor Vehicle Highway Account). The remaining 25% is deposited into the Highway Road and Street Fund, 55% of which is deposited into the Primary Highway System Special Account (INDOT) and 45% is deposited into the Local Road and Street Account.

7. Authorization. Indiana General Assembly.

8. Administration. Special Tax Division of the DoR.

9. Map of Collection and Distribution Process. The following page contains a mapping of the Gasoline Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.

Gasoline Tax



N. Hazardous Waste Disposal Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 9-10 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-6.6.

2. Taxpayer. Operators of hazardous waste disposal sites.

3. Tax Base. Hazardous waste disposed of in a disposal facility or by underground injection.

4. Tax Rate. $11.50 per ton.

5. Procedure. The taxpayer files its return quarterly with the DoR. The DoR enters the return into its environmental program (manual process) and bills the taxpayer through its RPS. The AOS disburses funds.

6. Local Distribution. The AOS distributes 100% to the county where the disposal facility is located. Seventy-five percent is deposited into the Hazardous Substances Response Trust Fund and 25% is deposited into the county general fund. The Hazardous Substances Response Trust Fund is used as (1) a state match for federal superfund money; (2) emergency state assistance; and (3) state cleanups.

7. Authorization. Indiana General Assembly.

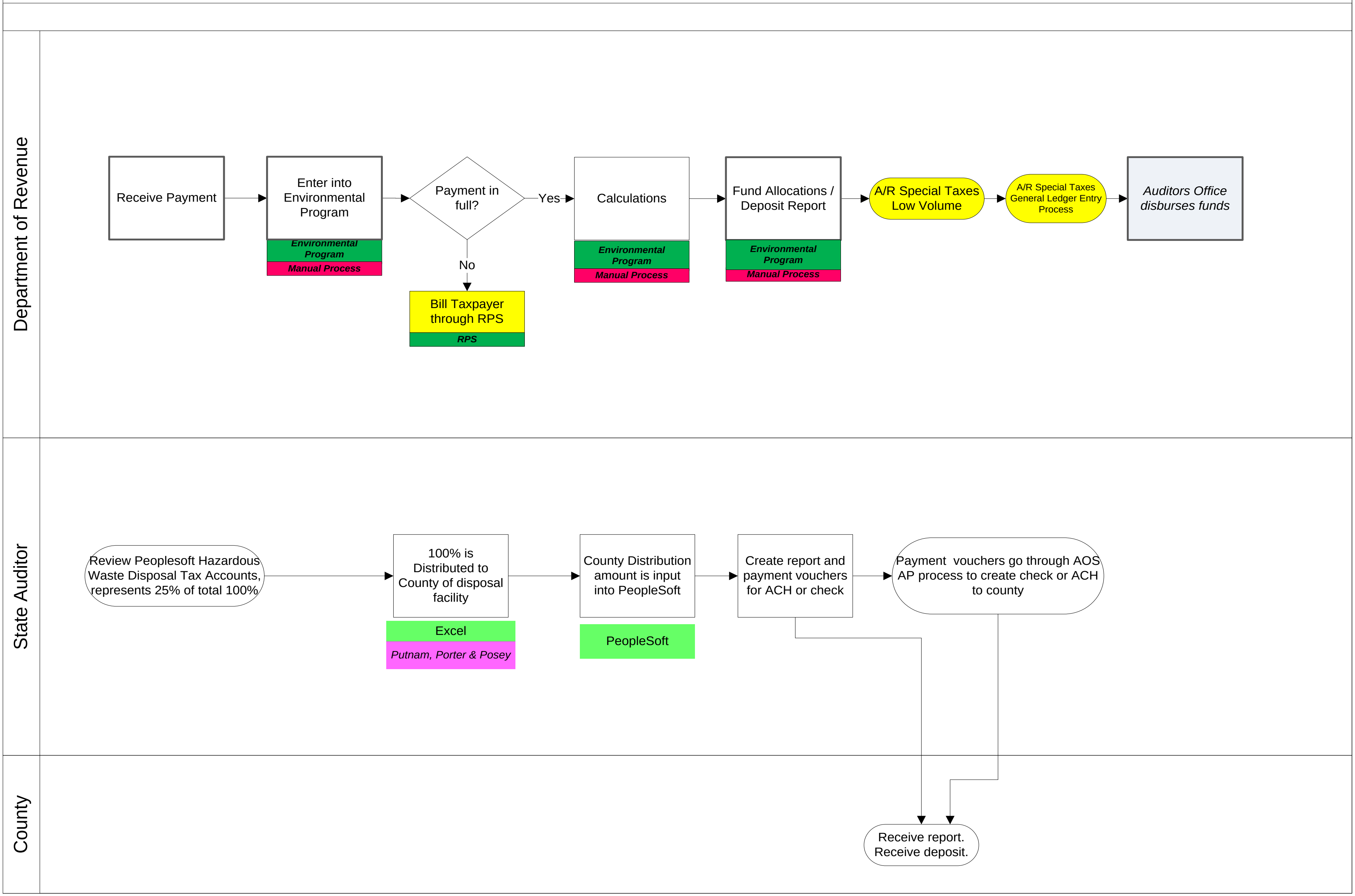
8. Administration. Special Tax Division of the DoR.

9. Finding and Recommendation.

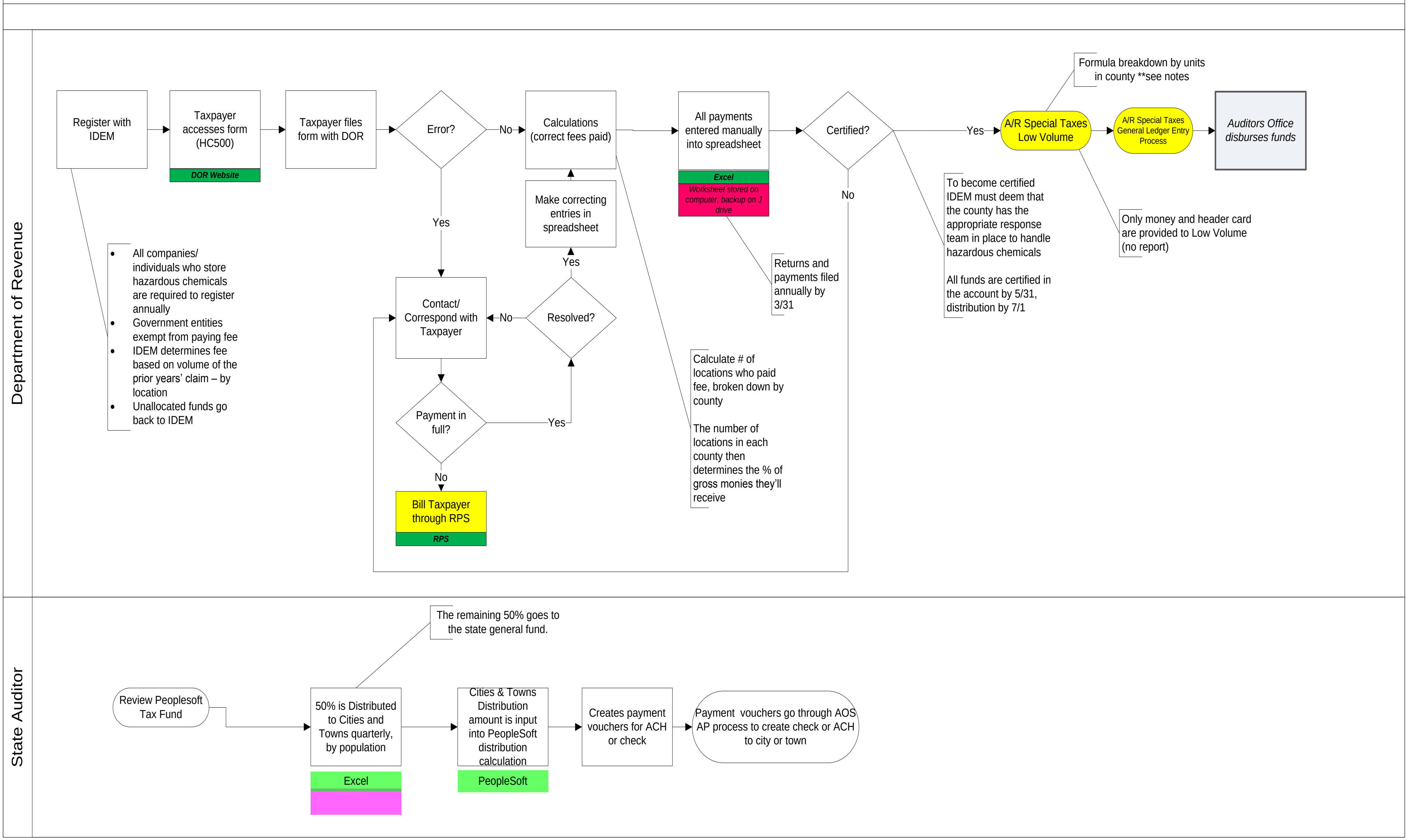
   a. Finding. Currently, the Indiana Department of Environmental Management (IDEM) enforces the regulations and the DoR collects the tax. Without appropriate interactions between both departments, errors may occur. At present, the DoR and IDEM are discussing the appropriate level of interaction.
   Recommendation. The Group recommends that the DoR interface with the IDEM and consider returning the collection of the tax to the IDEM. This is a minor, administrative task.

10. Map of Collection and Distribution Process. The following pages contain mappings of the (1) Hazardous Waste Disposal Tax; and (2) Emergency and Hazardous Chemical Inventory Fee that follows all of the steps and formulas that apply from the time the tax and fee are collected until their final distribution.

Hazardous Waste Disposal Tax



Emergency and Hazardous Chemical Inventory Fee



O. Inheritance Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 10-12 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-4.1-2.

2. Taxpayer. Class A, B, or C transferees:

   a. Class A - parent, grandparent, child, stepchild, grandchild.
   b. Class B - sister, brother, niece, nephew, daughter-in-law, son-in-law.
   c. Class C - aunt, uncle, and all other transferees who are neither Class A nor Class B.

3. Tax Base. For Indiana residents, the tax base is real and tangible property with a situs in Indiana and intangible property wherever located. For Indiana nonresidents, the tax base is real and tangible personal property that has situs in Indiana and is transferred at death.

4. Procedure. For Indiana residents, within 9 months of death, the personal representative must file a return with the appropriate probate court if the value of transferred property interests exceeds the value of exemptions. The court issues the order determining tax liability. The transferee pays the county treasurer who makes quarterly remittances to the state. The Inheritance Tax Division of the DoR audits all returns. Indiana nonresidents file directly with the DoR. The DoR issues an order determining tax liability. The liability is paid directly to the DoR.

5. Local Distribution. Resident Inheritance Tax: 92% state General Fund; 8% collecting county. Counties are guaranteed a statutorily determined amount, which accounts for the increase in the Class A exemption beginning July 1, 1997.

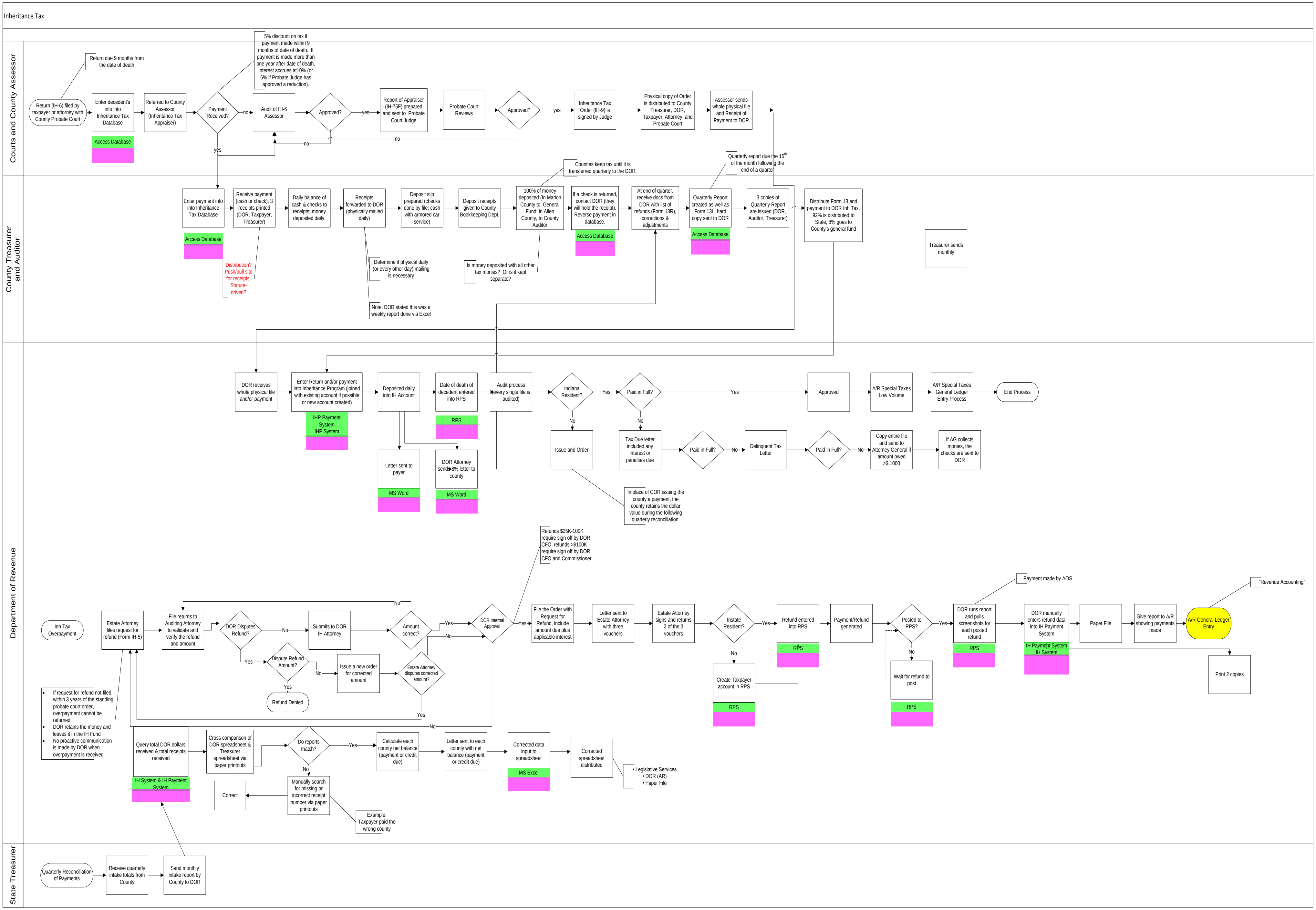
6. Authorization. Indiana General Assembly.

7. Administration. Inheritance Tax Division of the DoR.

8. Finding and Recommendation.

   a. Finding. Currently, the DoR does not accept electronic mail from local units. This makes it difficult to track certificates that are mailed, and they are often counted twice. Local units want to email certificates to save on postage, like it is done between agencies at the state level.
   Recommendation. The Group recommends that the DoR investigate opportunities to enhance and simplify the methods of communications between itself and the local units. This is a minor, administrative task.

9. Map of Collection and Distribution Process. The following page contains a mapping of the Inheritance Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.



Inheritance Tax
Courts and County Assessor
Return due 9 months from the date of death
5% discount on tax if payment made within 9 months of date of death. If payment is made more than one year after date of death, interest accrues at10% (or 6% if Probate Judge has approved a reduction).
Return (IH-6) filed by taxpayer or attorney with County Probate Court
Enter decedent's info into Inheritance Tax Database
Access Database
Referred to County Assessor (Inheritance Tax Appraiser)
Payment Received?
no
yes
Audit of IH-6 Assessor
Approved?
yes
no
Report of Appraiser (IH-75F) prepared and sent to Probate Court Judge
Probate Court Reviews
Approved?
yes
no
Inheritance Tax Order (IH-9) is signed by Judge
Physical copy of Order is distributed to County Treasurer, DOR, Taxpayer, Attorney, and Probate Court
Assessor sends whole physical file and Receipt of Payment to DOR
Counties keep tax until it is transferred quarterly to the DOR.
Quarterly report due the 15th of the month following the end of a quarter
County Treasurer and Auditor
Enter payment info into Inheritance Tax Database
Access Database
Receive payment (cash or check); 3 receipts printed (DOR, Taxpayer, Treasurer)
Distribution? Push/pull site for receipts. Statute-driven?
Daily balance of cash & checks to receipts; money deposited daily.
Receipts forwarded to DOR (physically mailed daily)
Determine if physical daily (or every other day) mailing is necessary
Note: DOR stated this was a weekly report done via Excel
Deposit slip prepared (checks done by file; cash with armored car service)
Deposit receipts given to County Bookkeeping Dept.
100% of money deposited (In Marion County to General Fund; in Allen County, to County Auditor
Is money deposited with all other tax monies? Or is it kept separate?
If a check is returned, contact DOR (they will hold the receipt). Reverse payment in database.
Access Database
At end of quarter, receive docs from DOR with list of refunds (Form 13R), corrections & adjustments
Quarterly Report created as well as Form 13L; hard copy sent to DOR
Access Database
3 copies of Quarterly Report are issued (DOR, Auditor, Treasurer)
Distribute Form 13 and payment to DOR Inh Tax. 92% is distributed to State; 8% goes to County's general fund
Treasurer sends monthly
Department of Revenue
DOR receives whole physical file and/or payment
Enter Return and/or payment into Inheritance Program (joined with existing account if possible or new account created)
IHP Payment System IHP System
Deposited daily into IH Account
Letter sent to payer
MS Word
Date of death of decedent entered into RPS
RPS
DOR Attorney sends 8% letter to county
MS Word
Audit process (every single file is audited)
Indiana Resident?
Yes
No
Issue and Order
In place of COR issuing the county a payment, the county retains the dollar value during the following quarterly reconciliation.
Paid in Full?
Yes
No
Tax Due letter included any interest or penalties due
Paid in Full?
No
Delinquent Tax Letter
Paid in Full?
No
Copy entire file and send to Attorney General if amount owed >$,1000
If AG collects monies, the checks are sent to DOR
Approved
A/R Special Taxes Low Volume
A/R Special Taxes General Ledger Entry Process
End Process
Refunds $25K-100K require sign off by DOR CFO, refunds >$100K require sign off by DOR CFO and Commissioner
Inh Tax Overpayment
Estate Attorney files request for refund (Form IH-5)
File returns to Auditing Attorney to validate and verify the refund and amount
DOR Disputes Refund?
No
Yes
Submits to DOR IH Attorney
Amount correct?
No
Yes
Dispute Refund Amount?
No
Yes
Refund Denied
Issue a new order for corrected amount
Estate Attorney disputes corrected amount?
Yes
No
DOR Internal Approval
Yes
File the Order with Request for Refund, include amount due plus applicable interest
Letter sent to Estate Attorney with three vouchers
Estate Attorney signs and returns 2 of the 3 vouchers
Instate Resident?
Yes
No
Create Taxpayer account in RPS
RPS
Refund entered into RPS
RPS
Payment/Refund generated
Posted to RPS?
Yes
No
Wait for refund to post
RPS
Payment made by AOS
DOR runs report and pulls screenshots for each posted refund
RPS
DOR manually enters refund data into IH Payment System
IH Payment System IH System
Paper File
Give report to A/R showing payments made
"Revenue Accounting"
A/R General Ledger Entry
Print 2 copies
If request for refund not filed within 3 years of the standing probate court order, overpayment cannot be returned.
DOR retains the money and leaves it in the IH Fund
No proactive communication is made by DOR when overpayment is received
Query total DOR dollars received & total receipts received
IH System & IH Payment System
Cross comparison of DOR spreadsheet & Treasurer spreadsheet via paper printouts
Do reports match?
Yes
No
Manually search for missing or incorrect receipt number via paper printouts
Example: Taxpayer paid the wrong county
Correct
Calculate each county net balance (payment or credit due)
Letter sent to each county with net balance (payment or credit due)
Corrected data input to spreadsheet
MS Excel
Corrected spreadsheet distributed
• Legislative Services
• DOR (AR)
• Paper File
State Treasurer
Quarterly Reconciliation of Payments
Receive quarterly intake totals from County
Send monthly intake report by County to DOR

P. Innkeeper's Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 78-79 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-9.

2. Taxpayers. Guests at hotels, motels, and other such lodgings.

3. Tax Base. Gross income derived from lodging income.

4. Tax Rate. Varies by county as specified by statute or adopted by county fiscal body. May not exceed 5% if adopted under IC 6-9-18. The rate in St. Joseph County is 6%; Allen County, 7%; Vanderburgh County, 8%; and Marion County, 10%.

5. Procedure. Taxpayer files a paper return (BT-1) monthly with the DoR. The DoR analyzes the return for any errors and posts the sufficient return onto its RPS. The AOS distributes funds to the counties.

6. Local Distribution. The AOS reviews the PeopleSoft Innkeeper's Tax accounts and distributes 100% of revenue to the county. The county distributes in accordance with statute for that respective entity.

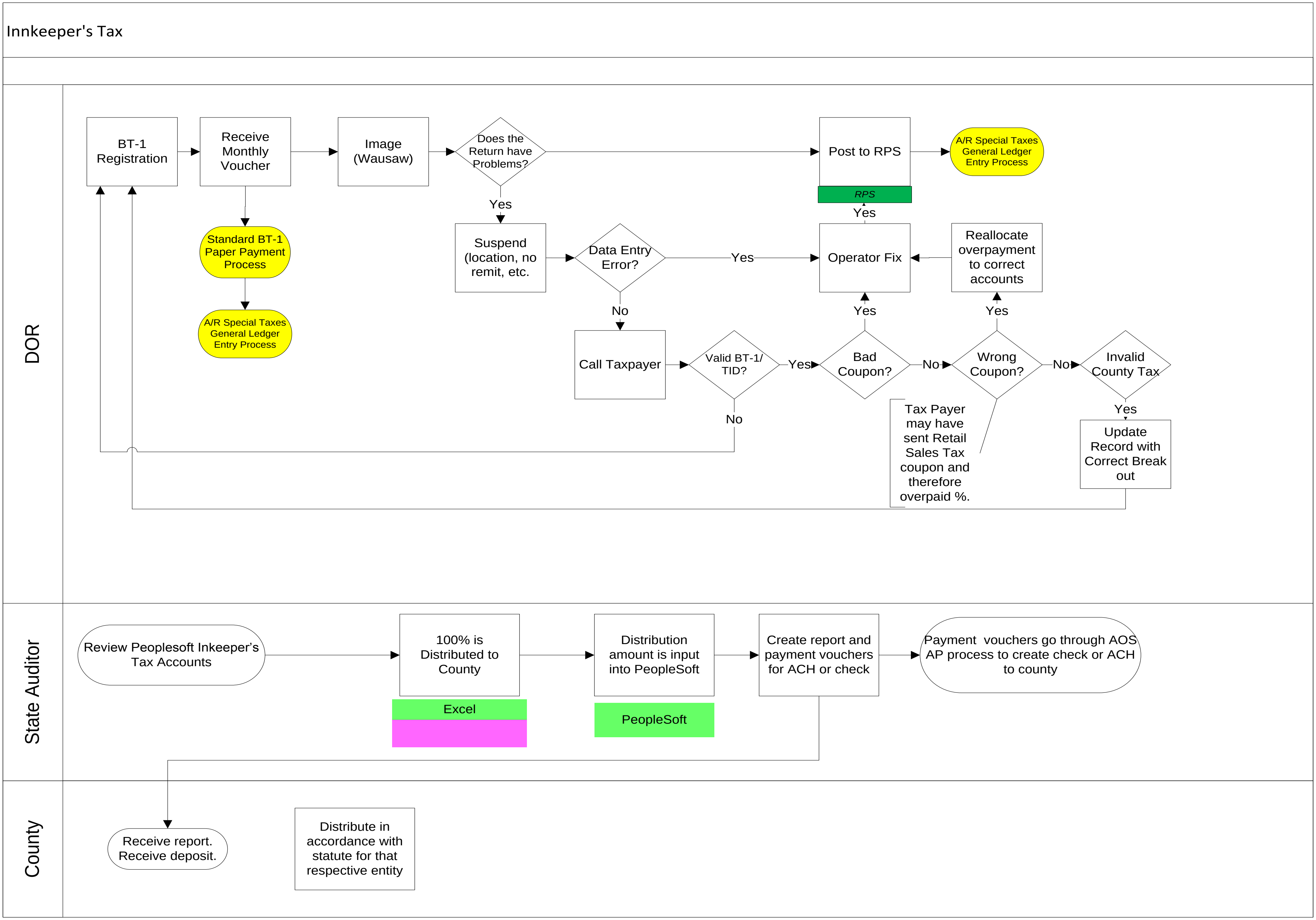
7. Authorization. Indiana General Assembly.

8. Administration. County treasurer, county auditor, and Sales Tax Division of the DoR.

9. Finding and Recommendation.

   a. Finding. Currently, as is the case with the Food and Beverage Tax, local units cannot get a detailed listing of retailers paying the tax. Without a detailed listing of submitting establishments, the locals have no ability to verify the distribution. Recommendation. The Group recommends that the DoR continue its pilot program in Allen County with the Innkeeper's Tax in order to find a solution to this—and the Food and Beverage Tax—issue. This is a moderate, administrative task.

10. Map of Collection and Distribution Process. The following page contains a mapping of the Innkeeper's Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Innkeeper's Tax
DOR
BT-1 Registration
Receive Monthly Voucher
Image (Wausaw)
Does the Return have Problems?
Post to RPS
A/R Special Taxes General Ledger Entry Process
RPS
Yes
Standard BT-1 Paper Payment Process
A/R Special Taxes General Ledger Entry Process
Suspend (location, no remit, etc.
Data Entry Error?
Yes
Operator Fix
Reallocate overpayment to correct accounts
No
Yes
Yes
Call Taxpayer
Valid BT-1/ TID?
Yes
Bad Coupon?
No
Wrong Coupon?
No
Invalid County Tax
No
Tax Payer may have sent Retail Sales Tax coupon and therefore overpaid %.
Yes
Update Record with Correct Break out
State Auditor
Review Peoplesoft Inkeeper's Tax Accounts
100% is Distributed to County
Excel
Distribution amount is input into PeopleSoft
PeopleSoft
Create report and payment vouchers for ACH or check
Payment vouchers go through AOS AP process to create check or ACH to county
County
Receive report. Receive deposit.
Distribute in accordance with statute for that respective entity

Q. Motor Carrier Surcharge Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 29-30 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-4.1-4.5.

2. Taxpayer. A carrier who operates or causes to be operated a commercial motor vehicle on any highway in Indiana.

3. Tax Base. The total amount of motor fuel consumed by commercial motor vehicles operated by a carrier in its operations on highways in Indiana. The tax imposed does not apply to that portion of motor fuel used to propel equipment on a motor vehicle having a common reservoir for locomotion on the highway and the operation of such equipment.

4. Tax Rate. The rate of tax is $0.11 per gallon. This tax is in addition to any other motor fuel tax imposed.

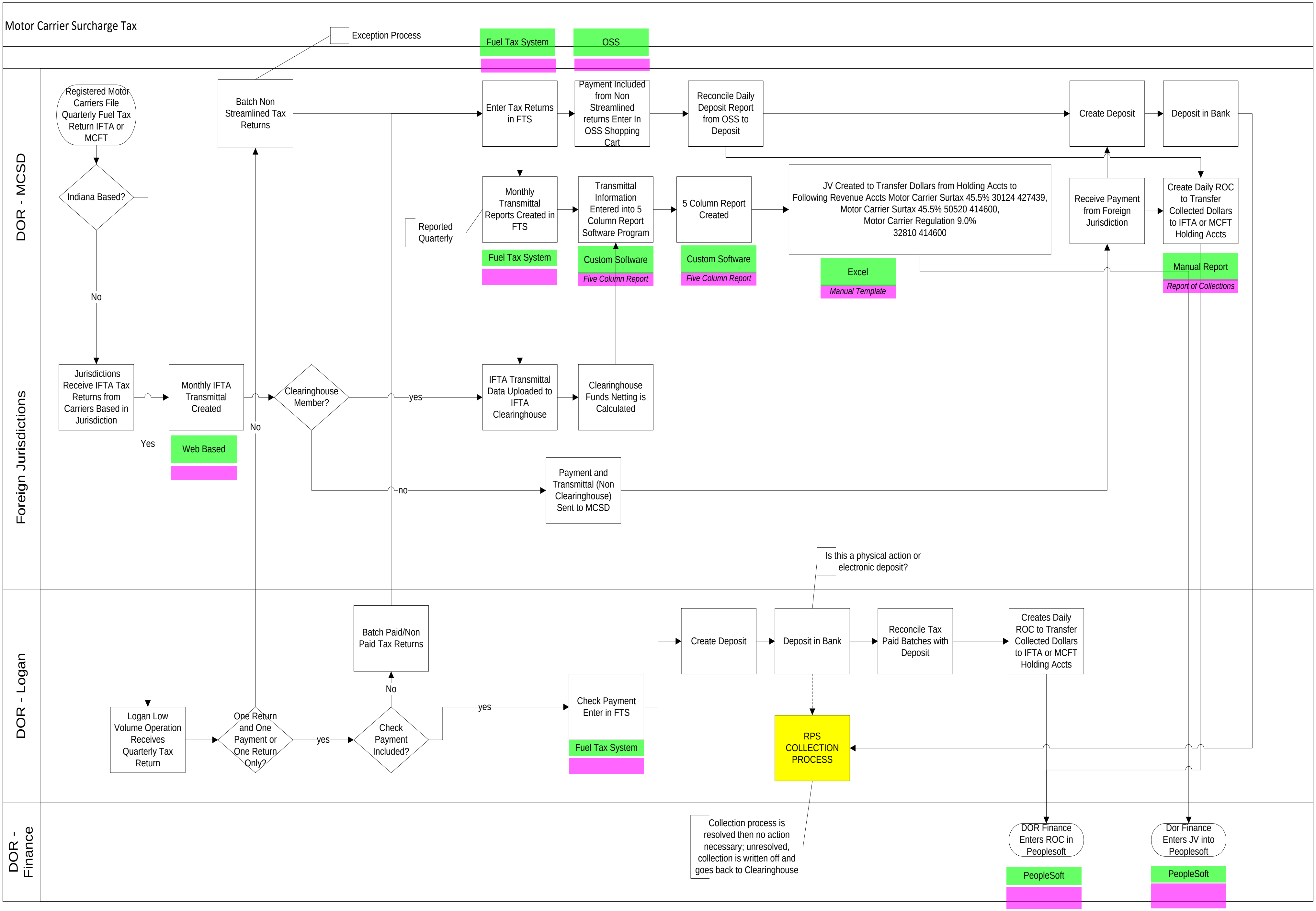
5. Procedure. The tax is paid quarterly by the carrier to the DoR on or before the last day of the month immediately following the quarter. The amount of motor fuel consumed by a carrier is the total amount of motor fuel consumed in its entire operations within and without Indiana multiplied by a fraction; the numerator of which is the total number of miles traveled in Indiana, and the denominator of which is the total number of miles traveled within and without Indiana. If no records show the total number of miles traveled, it is presumed that one gallon is consumed for every four miles traveled.

6. Local Distribution. 45.5% is deposited into the State Highway Fund, 45.5% is deposited into the Motor Vehicle Highway Account, and 9% is deposited into the Motor Carrier Regulation Fund administered by the DoR.

7. Authorization. Indiana General Assembly.

8. Administration. Special Tax Division of the DoR.

9. Map of Collection and Distribution Process. The following page contains a mapping of the Motor Vehicle Surcharge Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Motor Carrier Surcharge Tax
Exception Process
Fuel Tax System
OSS
DOR - MCSD
Registered Motor Carriers File Quarterly Fuel Tax Return IFTA or MCFT
Indiana Based?
No
Batch Non Streamlined Tax Returns
Enter Tax Returns in FTS
Payment Included from Non Streamlined returns Enter In OSS Shopping Cart
Reconcile Daily Deposit Report from OSS to Deposit
Create Deposit
Deposit in Bank
Monthly Transmittal Reports Created in FTS
Reported Quarterly
Fuel Tax System
Transmittal Information Entered into 5 Column Report Software Program
Custom Software
Five Column Report
5 Column Report Created
Custom Software
Five Column Report
JV Created to Transfer Dollars from Holding Accts to Following Revenue Accts Motor Carrier Surtax 45.5% 30124 427439, Motor Carrier Surtax 45.5% 50520 414600, Motor Carrier Regulation 9.0% 32810 414600
Excel
Manual Template
Receive Payment from Foreign Jurisdiction
Create Daily ROC to Transfer Collected Dollars to IFTA or MCFT Holding Accts
Manual Report
Report of Collections
Foreign Jurisdictions
Jurisdictions Receive IFTA Tax Returns from Carriers Based in Jurisdiction
Yes
Monthly IFTA Transmittal Created
Web Based
No
Clearinghouse Member?
yes
no
IFTA Transmittal Data Uploaded to IFTA Clearinghouse
Clearinghouse Funds Netting is Calculated
Payment and Transmittal (Non Clearinghouse) Sent to MCSD
Is this a physical action or electronic deposit?
DOR - Logan
Batch Paid/Non Paid Tax Returns
No
Logan Low Volume Operation Receives Quarterly Tax Return
One Return and One Payment or One Return Only?
yes
Check Payment Included?
yes
Check Payment Enter in FTS
Fuel Tax System
Create Deposit
Deposit in Bank
Reconcile Tax Paid Batches with Deposit
Creates Daily ROC to Transfer Collected Dollars to IFTA or MCFT Holding Accts
RPS COLLECTION PROCESS
DOR - Finance
Collection process is resolved then no action necessary; unresolved, collection is written off and goes back to Clearinghouse
DOR Finance Enters ROC in Peoplesoft
PeopleSoft
Dor Finance Enters JV into Peoplesoft
PeopleSoft

R. Motor Vehicle Excise Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 109-113 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-5.

2. Taxpayer. Owners of passenger cars, motorcycles, and trucks with a declared gross weight of 11,000 pounds or less.

3. Tax Base. The vehicle's base or factory-advertised delivered price and year of manufacture.

4. Tax Rate. Based on value and age of vehicle (see chart below in E).

5. Procedure. The excise tax must be paid when the vehicle is required to be registered according to the annual registration chart below.

Motor Vehicle Excise Tax Rate Schedule Beginning 1996 Factory-Advertised Delivered Price and Classification											
	Age	1	2	3	4	5	6	7	8	9	10
$50 to $1,499	I	12	12	12	12	12	12	12	12	12	12
$1,500 to $2,249	II	36	30	27	24	18	12	12	12	12	12
$2,250 to $2,999	III	50	50	42	33	24	18	12	12	12	12
$3,000 to $3,999	IV	50	50	50	50	48	36	24	18	12	12
$4,000 to $5,499	V	66	57	50	50	50	50	42	24	12	12
$5,500 to $6,999	VI	84	74	63	52	50	50	49	30	18	12
$7,000 to $8,499	VII	103	92	77	64	52	50	50	40	21	12
$8,500 to $9,999	VIII	123	110	93	78	64	50	50	50	34	12
$10,000 to 12,499	IX	150	134	115	98	82	65	52	50	40	12
$12,500 to 14,999	X	172	149	130	112	96	79	65	53	50	12
$15,000 to 17,999	XI	207	179	156	135	115	94	78	64	50	21
$18,000 to 21,999	XII	250	217	189	163	139	114	94	65	50	26
$22,000 to 24,999	XIII	300	260	225	184	150	121	96	65	50	30
$25,000 to 29,999	XIV	350	304	265	228	195	160	132	91	50	36
$30,000 to 34,999	XV	406	353	307	257	210	169	134	91	50	42
$35,000 to 42,499	XVI	469	407	355	306	261	214	177	129	63	49
$42,500 and over	XVII	532	461	398	347	296	242	192	129	63	50

6. State Excise Tax Capture. The state retains a portion of motor vehicle excise tax. The amount retained is proportional to the former property tax levies for welfare, children's welfare, and school operating that the state assumed in 2009.

7. Local Distribution. Revenues are allocated to the taxing district in which the registrant resides. The revenues are then distributed to the taxing units of that taxing district in the same manner and at the same time that property taxes are distributed. A portion of the revenue is retained by the state. The amount retained equals the excise tax distributions

that would have been based on property tax levies for the school general fund, preschool special education fund, child welfare funds, and the health care for the indigent fund if the state had not assumed funding beginning in 2009. A $1.15 service charge per vehicle is retained and deposited in the state License Branch Fund.

8. Authorization. Indiana General Assembly.

9. Administration. Bureau of Motor Vehicles.

10. Findings and Recommendations.

    a. Finding. Currently, a local auditor manually looks up an address and assigns motor vehicle excise revenue to a tax district. Counties are required to distribute motor vehicle excise dollars based on the tax district of the registered motor vehicle. The location information is provided by the BMV. Counties are spending considerable time locating the tax district.
    Recommendation. The Group recommends that the BMV investigate the ability of standardizing and validating the addresses and locations of the person registering his or her motor vehicle prior to submitting the information to the counties. This is a hard, legislative task.

    b. Finding. Currently, the submission of disabled veterans' excess property tax deductions is paper driven. This adds administrative time and effort and is capable of error.
    Recommendation. The Group recommends that the BMV investigate the creation of a secure electronic process for the transfer of disabled veterans' excess property tax deductions. This is a hard, administrative task.

    c. Finding. Currently, the BMV provides motor vehicle registration without knowing whether an individual's personal check will clear its bank. If a personal check is returned to BMV for non sufficient funds, the BMV terminates the motor vehicle registration.
    Recommendation. The Group recommends that the State verify that motor vehicle registration fees are current prior to issuing a tax refund or providing a professional license. This is a moderate task that will require both administrative and legislative action.

    d. Finding. Currently, the entire process of collection and distribution is handled by the BMV, other than watercraft excise distributions and education plates (handled by the AOS).
    Recommendation. The Group recommends that the BMV prepare information for distribution of funds and enter the information into PeopleSoft. This is a minor, legislative task.

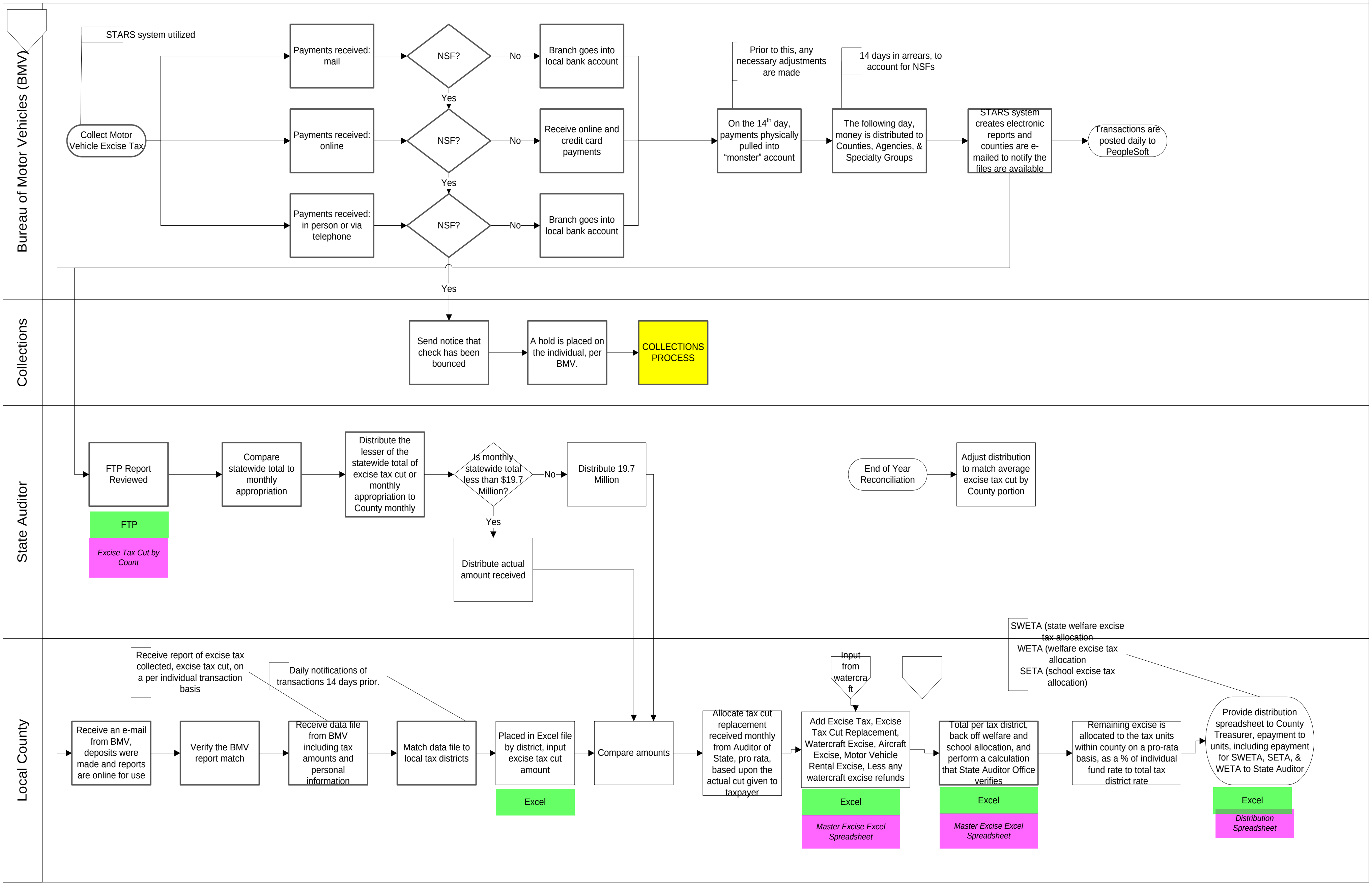
e. Finding. Currently, the recapture rates for the state Motor Vehicle Excise Tax are fixed. Over time, the relationship between tax rates within a unit changes but the state recapture tax rate remains constant.
Recommendation. The Group recommends that the AOS recalculate the appropriate state share for recapture whenever there is a new taxing district. This is a moderate task that will require both administrative and legislative action.

f. Finding. Currently, transferring data between the Indiana Department of Transportation (INDOT) and local units is a manual process that is susceptible to error.
Recommendation. The Group recommends that the INDOT investigate the possibility of establishing an online or electronic communication process of communication with locals for updates on center line miles. This is a minor, administrative task.

g. Finding. Currently, INDOT is not statutorily required to share the center line miles with the AOS. There is, however, a statutory requirement for the BMV to provide registration information to the AOS and for the AOS to send mileage to counties.
Recommendation. The Group recommends, for clarity of the process, that statute require INDOT to annually—by April 1st—provide the centerline miles. This is a minor, legislative task.

11. Map of Collection and Distribution Process. The following page contains a mapping of the Motor Vehicle Excise Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.

Motor Vehicle Excise Tax



S. Pari-Mutuel Admissions Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, p. 41 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 4-31-9-5.

2. Taxpayer. A person or organization that holds a permit to conduct a horse racing meeting or is licensed to operate a satellite facility.

3. Tax Base. Paid admissions to a horse track or satellite facility.

4. Tax Rate. Twenty cents per person on paid admission to a horse track or satellite facility.

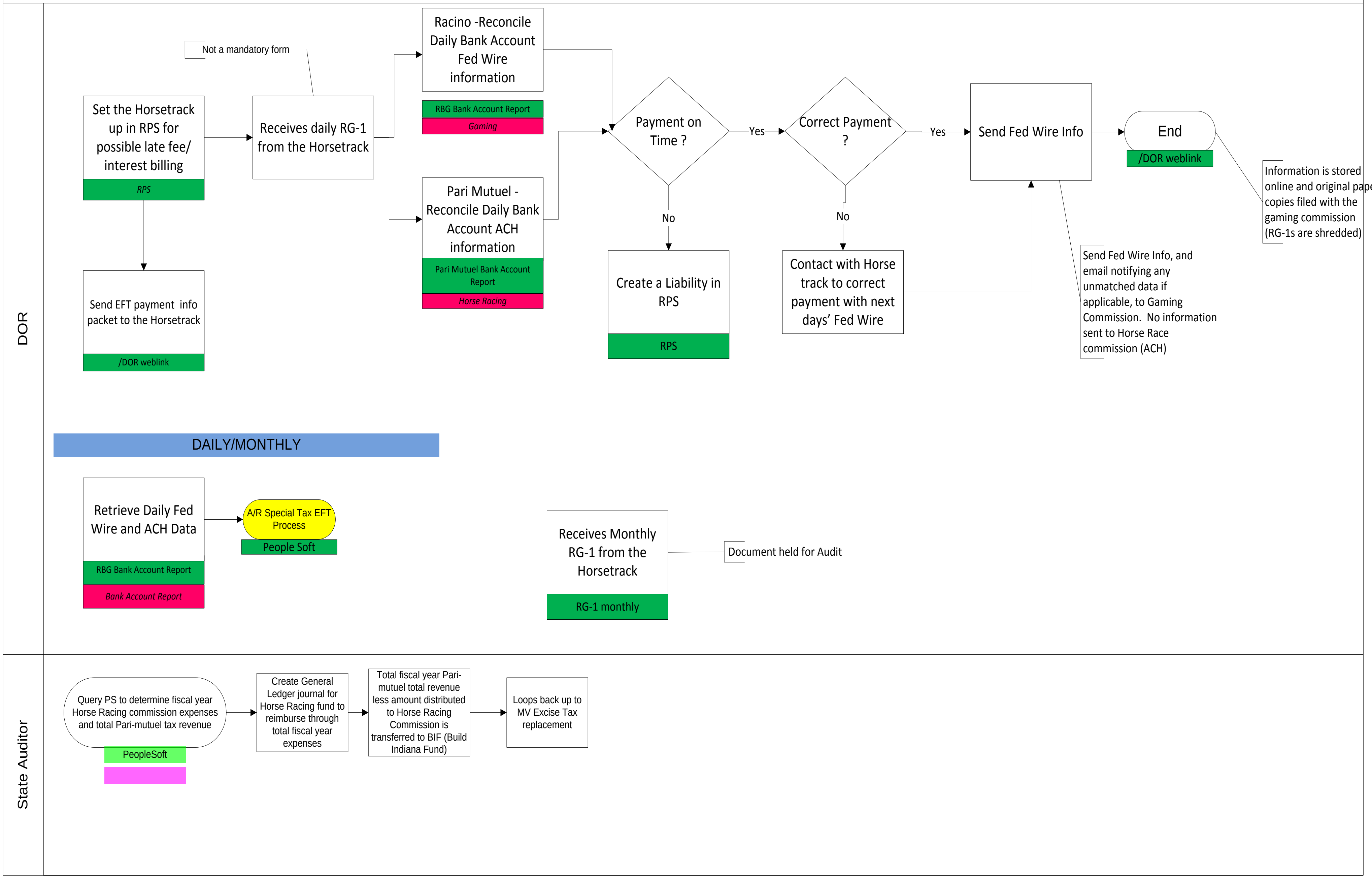
5. Local Distribution. Fifty percent in equal shares to the city, town, and county in which the race track is located; 50% to the state General Fund.

6. Authorization. Indiana General Assembly.

7. Administration. Department of State Revenue.

8. Map of Collection and Distribution Process. The following map contains a mapping of the Pari-Mutuel Admissions Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.

Pari-mutuel Admissions Tax (Horse Track) (Racino – Gaming at the Horse Track includes wages and admissions tax)



T. Recreational Vehicle and Truck Camper Excise Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 113-115 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-5.1.

2. Taxpayer. Owners of recreational vehicles (RV) and truck campers.

3. Tax Base. The RV or truck camper's base or factory-advertised delivered price and year of manufacture.

4. Tax Rate.

Motor Vehicle Excise Tax Rate Schedule Factory-Advertised Delivered Price and Classification											
	Age	1	2	3	4	5	6	7	8	9	10
Up to $2,249	I	15	12	12	12	12	12	12	12	12	12
$2,250 to $3,999	II	36	31	26	20	15	12	12	12	12	12
$4,000 to $6,999	III	50	43	35	28	20	15	12	12	12	12
$7,000 to $9,999	IV	59	51	41	38	34	26	16	13	12	12
$10,000 to $14,999	V	103	91	75	62	53	41	32	21	13	12
$15,000 to $21,999	VI	164	148	131	110	89	68	53	36	23	12
$22,000 to $29,999	VII	241	212	185	161	131	108	86	71	35	12
$30,000 to $42,499	VIII	346	302	261	223	191	155	126	97	48	17
$42,500 to $49,999	IX	470	412	360	307	253	204	163	116	55	55
$50,000 to $59,999	X	667	572	507	407	341	279	224	154	70	33
$60,000 to $69,999	XI	879	763	658	574	489	400	317	214	104	46
$70,000 to $79,999	XII	1,045	907	782	682	581	475	377	254	123	55
$80,000 to $89,999	XIII	1,235	1,072	924	806	687	562	445	300	146	64
$90,000 to $99,999	XIV	1,425	1,236	1,066	929	793	648	514	346	168	74
$100,000 to $149,999	XV	1,615	1,401	1,208	1,053	898	734	582	392	190	84
$150,000 to $199,999	XVI	1,805	1,566	1,350	1,177	1,004	821	651	439	213	94
$200,000 and over	XVII	2,375	2,060	1,777	1,549	1,321	1,080	856	577	280	123

5. Procedure. The RV Excise Tax must be paid when the RV or truck camper is required to be registered annually. Payment is made to a license branch in the vehicle owner's county of residence.

6. Local Distribution. The county auditor allocates monthly the revenues received to all taxing units within the county in the same manner and at the same time as property taxes are apportioned and distributed.

7. Authorization. Indiana General Assembly.

8. Administration. County auditor.

9. Map of Collection and Distribution Process. *Same as the Motor Vehicle Excise Tax. *See* p. 64.*

U. Riverboat Admissions Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 35-37 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 4-33-12.

2. Taxpayer. A person or organization that holds an owner's license for riverboat gambling operations; or the operating agent of the French Lick Casino.

3. Tax Base. Admissions (1) to a riverboat gaming excursion if the riverboat does not implement flexible scheduling; (2) through the turnstile to a riverboat if the riverboat implements flexible scheduling; or (3) through the turnstile to the French Lick Casino.

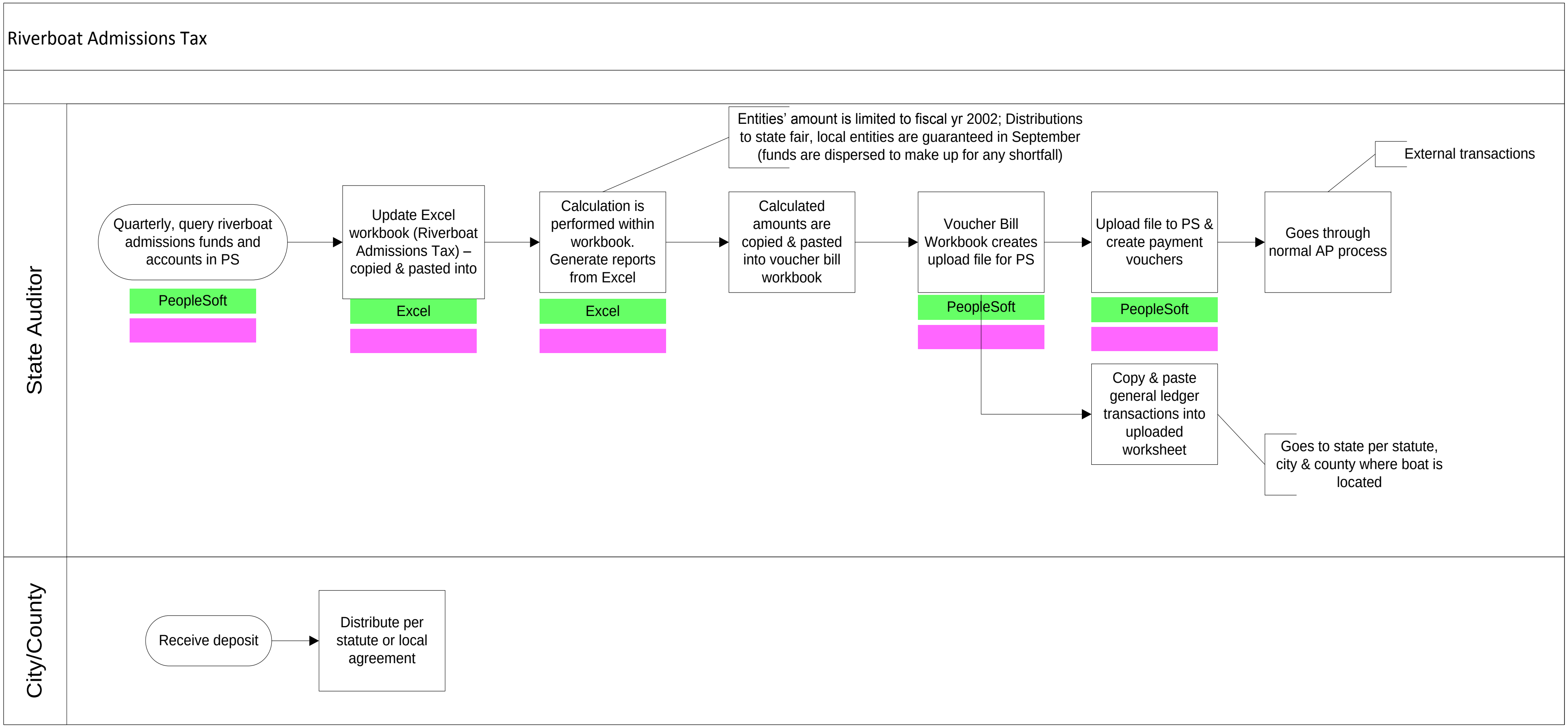
4. Tax Rate. Three dollars per admission, whether paid or unpaid.

5. Local Distribution. The DoR deposits admissions tax revenue in the state General Fund. Revenue from the Admission Tax is distributed quarterly to local units and counties in which a riverboat is docked. The total annual distribution to local units in which a riverboat is docked is equal to the FY 2002 distribution.

6. Authorization. Indiana General Assembly.

7. Administration. Department of State Revenue.

8. Map of Collection and Distribution Process. The following map contains a mapping of the Riverboat Admissions Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Riverboat Admissions Tax
State Auditor
Quarterly, query riverboat admissions funds and accounts in PS
PeopleSoft
Update Excel workbook (Riverboat Admissions Tax) – copied & pasted into
Excel
Calculation is performed within workbook. Generate reports from Excel
Excel
Entities' amount is limited to fiscal yr 2002; Distributions to state fair, local entities are guaranteed in September (funds are dispersed to make up for any shortfall)
Calculated amounts are copied & pasted into voucher bill workbook
Voucher Bill Workbook creates upload file for PS
PeopleSoft
Upload file to PS & create payment vouchers
PeopleSoft
Goes through normal AP process
External transactions
Copy & paste general ledger transactions into uploaded worksheet
Goes to state per statute, city & county where boat is located
City/County
Receive deposit
Distribute per statute or local agreement

V. Riverboat Wagering Tax

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 38-40 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 4-33-13.

2. Taxpayer. A person or organization that holds an owner's license for riverboat gambling operations; or the operating agent of the French Lick Casino.

3. Tax Base. Adjusted gross receipts (AGR), which are wagers minus winnings and uncollectible receivables.

4. Tax Rate. (1) 22.5% of AGR if the riverboat does not implement flexible scheduling; (2) the riverboat is subject to graduated tax rates presented in the table below if the riverboat implements flexible scheduling; or (3) the French Lick Casino is subject to the graduated tax rate presented in the table below.

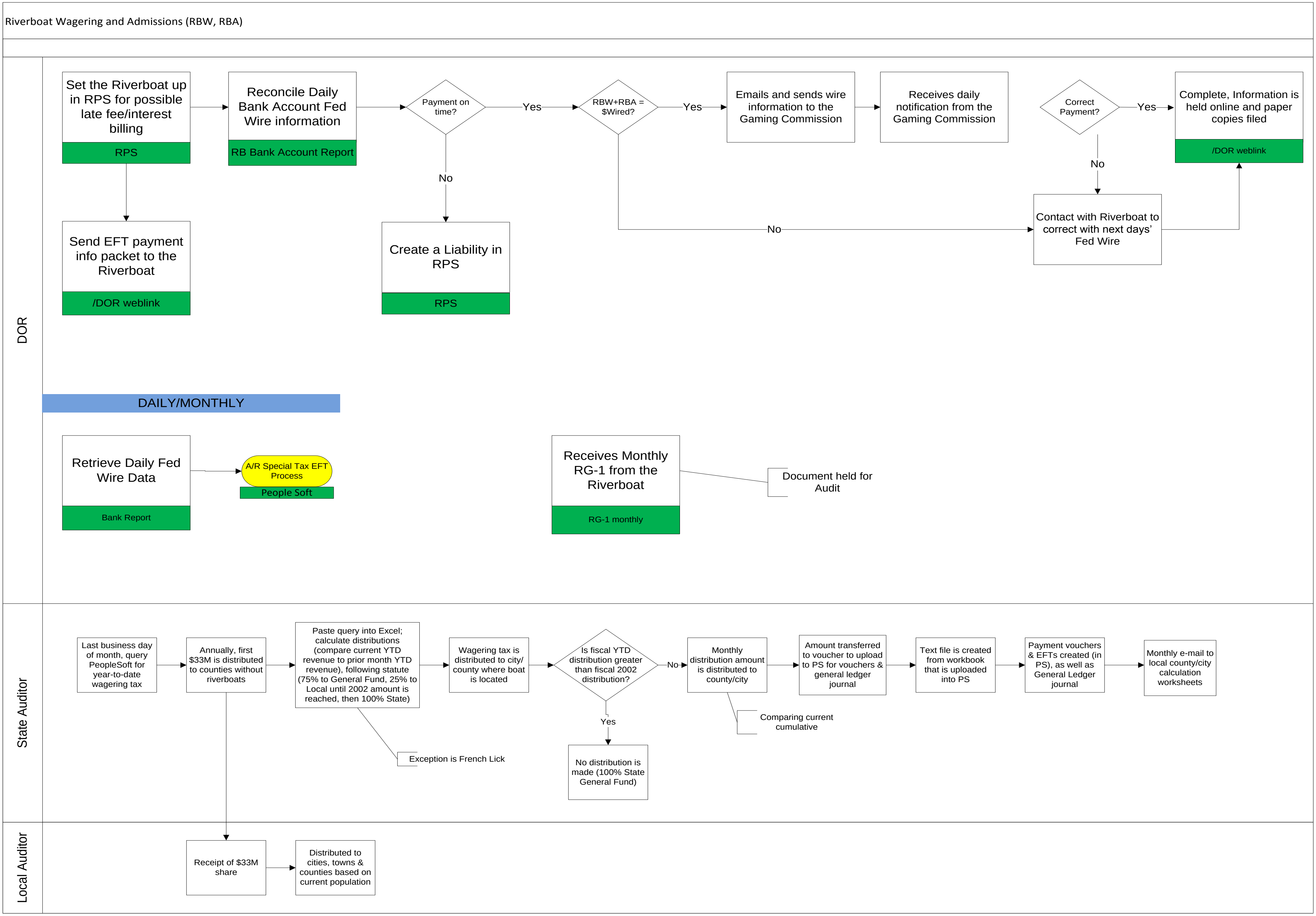
Taxable AGR Increment Earned July 1 to June 30	Tax Rate on AGR Increment
$25 M and under	15%
Over $25 M up to $50 M	20%
Over $50 M up to $75 M	25%
Over $75 M up to $150 M	30%
Over $150 M up to $600 M	35%
Over $600 M	40%

5. Local Distribution. The DoR deposits Wagering Tax revenue in the State Gaming Fund. Funds are first appropriated to the Indiana Gaming Commission to administer riverboat gaming. From the remaining funds the first $33 M each fiscal year is set aside for local revenue sharing. Revenue-sharing money is distributed on a per capita basis to local units in counties that do not contain a riverboat casino. After the revenue-sharing set-aside, 25% of the remainder up to the FY 2002 distribution level is distributed to local units in the county in which the riverboat is located. The remaining Wagering Tax revenue was distributed to the Property Tax Replacement Fund (PTRF) until 2009 and then to the state General Fund beginning in 2009. From the revenue distributed to the PTRF (state General Fund beginning in 2009), an amount is distributed annually to the Build Indiana Fund (BIF). The BIF transfer total is equal to $250 M minus amounts deposited in the BIF from Lottery profits, pari-mutuel taxes, and tax and fee revenue from charitable gaming. In the event that admissions tax revenue distributed to state agencies and local units is less than the FY 2002 distributions, wagering tax revenue in the PTRF (state General Fund beginning in 2009) will be utilized to make up the difference.

6. Authorization. Indiana General Assembly.

7. Administration. Department of State Revenue.

8. Map of Collection and Distribution Process. The following page contains a mapping of the Riverboat Wagering Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.



Riverboat Wagering and Admissions (RBW, RBA)
DOR
Set the Riverboat up in RPS for possible late fee/interest billing
RPS
Reconcile Daily Bank Account Fed Wire information
RB Bank Account Report
Payment on time?
Yes
No
RBW+RBA = $Wired?
Yes
No
Emails and sends wire information to the Gaming Commission
Receives daily notification from the Gaming Commission
Correct Payment?
Yes
No
Complete, Information is held online and paper copies filed
/DOR weblink
Send EFT payment info packet to the Riverboat
/DOR weblink
Create a Liability in RPS
RPS
Contact with Riverboat to correct with next days' Fed Wire
DAILY/MONTHLY
Retrieve Daily Fed Wire Data
Bank Report
A/R Special Tax EFT Process
People Soft
Receives Monthly RG-1 from the Riverboat
RG-1 monthly
Document held for Audit
State Auditor
Last business day of month, query PeopleSoft for year-to-date wagering tax
Annually, first $33M is distributed to counties without riverboats
Paste query into Excel; calculate distributions (compare current YTD revenue to prior month YTD revenue), following statute (75% to General Fund, 25% to Local until 2002 amount is reached, then 100% State)
Exception is French Lick
Wagering tax is distributed to city/ county where boat is located
Is fiscal YTD distribution greater than fiscal 2002 distribution?
No
Yes
No distribution is made (100% State General Fund)
Monthly distribution amount is distributed to county/city
Comparing current cumulative
Amount transferred to voucher to upload to PS for vouchers & general ledger journal
Text file is created from workbook that is uploaded into PS
Payment vouchers & EFTs created (in PS), as well as General Ledger journal
Monthly e-mail to local county/city calculation worksheets
Local Auditor
Receipt of $33M share
Distributed to cities, towns & counties based on current population

W. Special Fuel Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 31-33 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-2.5.

2. Taxpayer. Licensed special fuel suppliers who sell special fuel from a terminal rack located in Indiana, licensed permissive suppliers who sell special fuel for import into Indiana, or persons who purchase special fuel tax-exempt and subsequently use the fuel in a taxable manner.

3. Tax Base. Special fuel sold or used in producing or generating power for propelling motor vehicles, except fuel used for non-highway purposes, used as heating oil, or in trains.

4. Tax Rate. The rate of tax per gallon is $0.16.

5. Procedure. Licensed special fuel suppliers and permissive suppliers must file their monthly information reports and tax payments by the 15th day of each month with the DoR. Persons who purchase special fuel tax-exempt and subsequently use the fuel in a taxable manner must file quarterly reports and tax payments by the 15th day of the month following the end of the quarter.

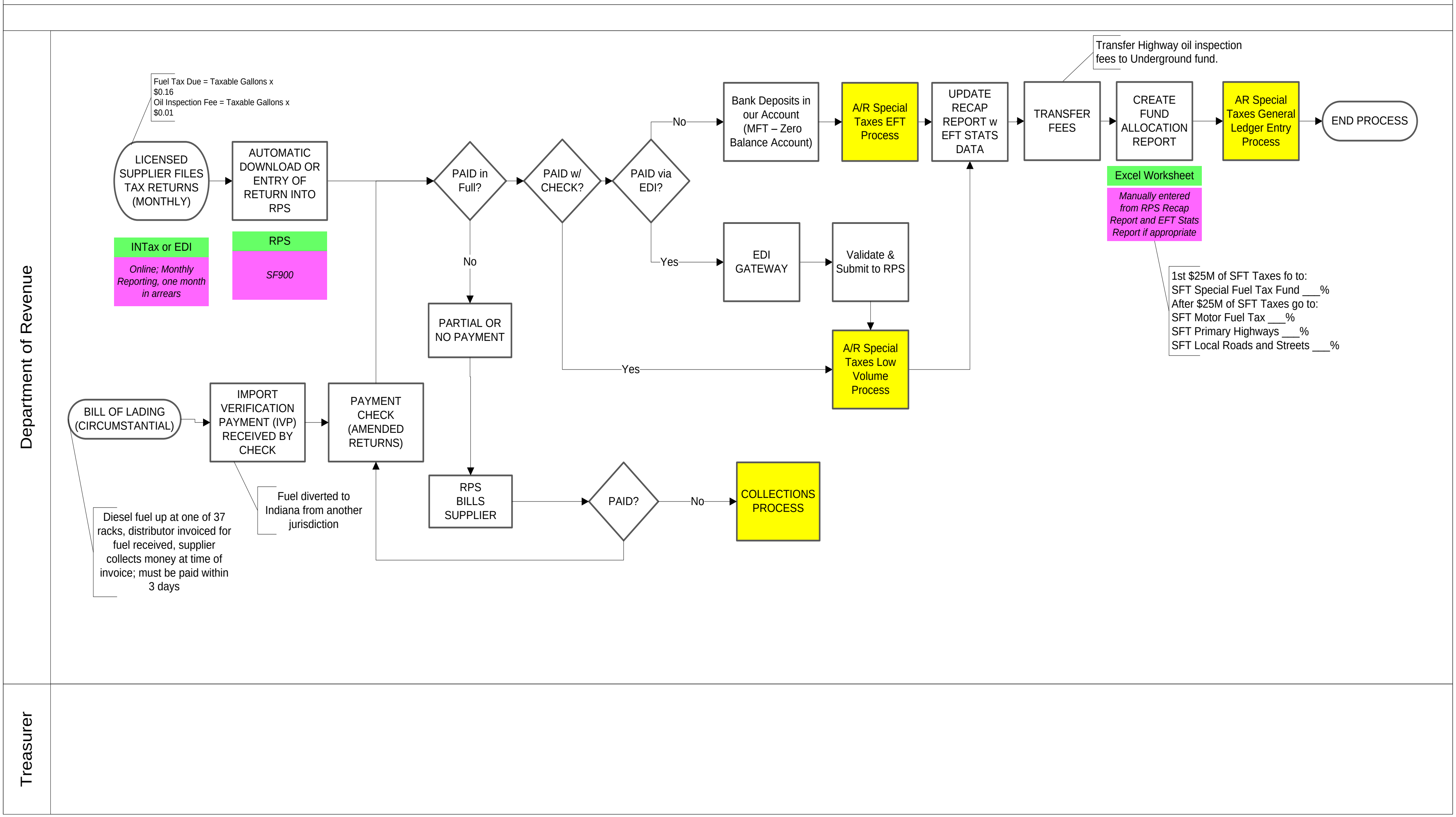
6. Local Distribution. The first $25,000,000 is distributed 60% to local units and 40% to the Department of Transportation. The remainder is deposited 75% to the Motor Vehicle Highway Account and 25% to the Highway, Road, and Street Fund.

7. Authorization. Indiana General Assembly.

8. Administration. Special Tax Division of the DoR.

9. Map of Collection and Distribution Process. The following page contains a mapping of the Special Fuel Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.

Special Fuel Tax



X. Special Taxing Districts.

1. Certified Technology Park (CTP).

Source: Jim Landers and Jessica Harmon, Indiana Legislative Services Agency, *Indiana's Geographically Targeted Development Programs: Certified Technology Parks*, Fiscal Issue Brief (September 8, 2012).

a. Statutory Authority. Ind. Code § 36-7-32.

b. Purpose. To facilitate the location of businesses involved in high-technology activity to Indiana and significant job creation by these businesses.

c. Sales and Income Tax Capture by CTPs. CTPs are authorized to capture incremental revenue from sales tax, state income tax, and LOITs generated in the CTP. While there is no annual incremental revenue capture limit for CTPs, there is a lifetime capture limit applicable to each CTP. The maximum amount of incremental Sales Tax, state Income Tax, and LOIT revenue that a CTP may capture during its lifetime is $5 M. Captured revenue from each CTP is deposited in the CTP's incremental tax financing fund administered by the Treasurer of State. The captured revenue is transferred from the incremental tax financing fund to the CTP fund established by the local redevelopment commission that has jurisdiction over the CTP.

2. Community Revitalization Enhancement District (CRED).

Source: Jim Landers and Jessica Harmon, Indiana Legislative Services Agency, *Indiana's Geographically Targeted Development Programs: Community Revitalization Enhancement Districts*, Fiscal Issue Brief (July 1, 2012).

a. Statutory Authority. Ind. Code § 36-7-13.

b. Definition. A CRED is a special zone within which local units may acquire property or make improvements for industrial development purposes.

c. Designation. A CRED is either designated by an advisory commission on industrial development or designated by the legislative body of a county or municipality. The local resolution or ordinance designating a CRED must be reviewed by the State Budget Committee and approved by the SBA. A CRED terminates not later than 15 years after it receives its first allocation of captured incremental tax revenue.

d. Income and Sales Tax Increment Allocations. The predominant funding source for CREDs is incremental revenue generated within the CRED from sales tax, state income tax, and LOITs. A CRED may capture incremental revenue from these taxes only if the resolution or ordinance establishing the CRED is reviewed by the State Budget Committee and approved by the SBA.

CREDs established under the older site-specific statutes are subject to a $1 M annual limit on capture of Sales Tax and state Income Tax revenue. CREDs established under 1st and 2nd class cities statutes are subject to a $750,000 annual limit on capture of Sales Tax and state Income Tax revenue.

3. Professional Sports and Convention Development Areas (PSCDA).

Source: Jim Landers and Jessica Harmon, Indiana Legislative Services Agency, *Indiana's Geographically Targeted Development Programs: Professional Sports and Convention Development Areas*, Fiscal Issue Brief (July 1, 2012).

a. Statutory Authority. Ind. Code §§ 36-7-31, 33-7-31.3.

b. Establishment. A PSCDA is a special zone where certain state and local tax revenue generated by activity at designated sports and convention facilities is diverted to a special fund for capital improvement projects within the PSCDA. The Indianapolis/Marion County PSCDA must be established by resolution of the Metropolitan Development Commission, and the PSCDAs in other cities or counties must be established by resolution of the legislative body of the establishing city or county. The resolution designating a PSCDA must be reviewed by the State Budget Committee and be approved by the SBA. No incremental tax revenue may be captured by a PSCDA unless approved by the SBA.

c. Tax Revenue Captured by the Indianapolis PSCDA. The Indianapolis PSCDA is authorized to capture incremental revenue from sales tax, state income tax, LOITs, and food and beverage tax generated at the sports facilities and convention center. The Indianapolis PSCDA is subject to two state revenue capture limits. A capture limit equal to $16 M annually applies to the portion of the PSCDA containing the sports facilities and the convention center. The first $5 M of this revenue stream pays obligations relating to the construction of Conseco Fieldhouse, with the remainder paying obligations relating to the construction of Lucas Oil Stadium and the expansion of the Indiana Convention Center. A separate capture limit equal to $8 M annually applies to the portion of the PSCDA containing the specified hotels. This revenue stream can only be used to pay operating expenses on capital improvements that are owned, leased, or operated by the CIB (Conseco Fieldhouse, the Indiana Convention Center, Lucas Oil Stadium, and Victory Field). The revenue capture by the Indianapolis PSCDA must cease by January 1, 2041.

d. Tax Revenue Captured by PSCDAs Outside Marion County. Except for the Allen County PSCDA, the PSCDAs outside Marion County are also authorized to capture incremental revenue from sales tax, state income tax, LOITs, and food and beverage tax generated at the convention and sports facilities contained in the PSCDA. The Allen County PSCDA is not allowed to capture revenue from the food and beverage tax.

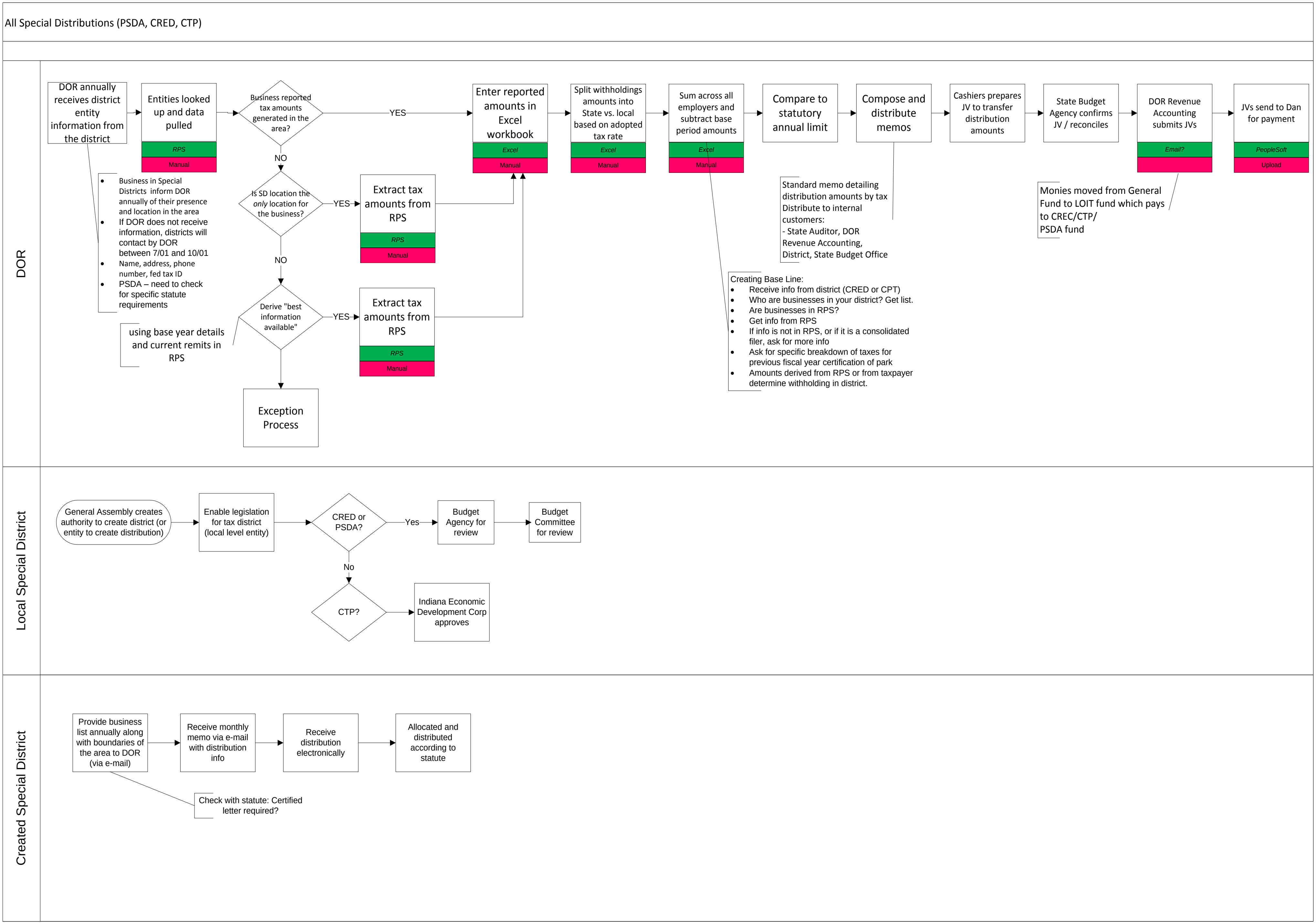
4. Findings and Recommendations.

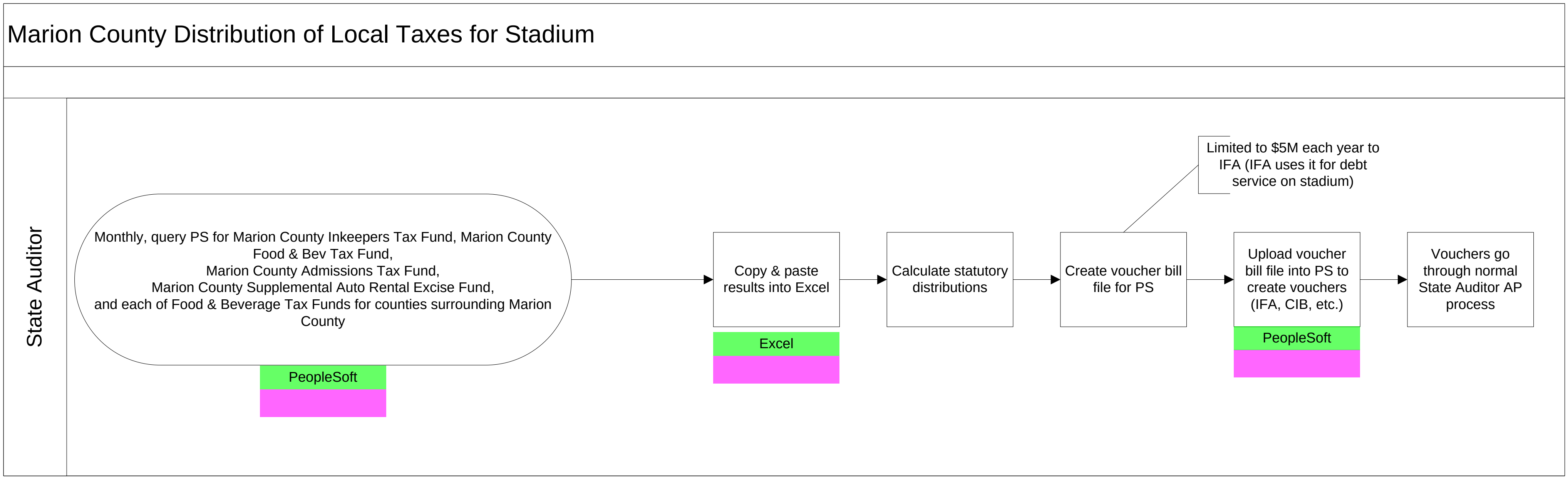
    a. Finding. Currently, there is no statutory requirement that districts provide the DoR with annual details concerning employers in the district. Districts should be sharing this information with the DoR, this would also save time for the DoR.
    Recommendation. The Group recommends that the Indiana Legislature adds a statutory requirement for districts to provide annual updates to the DoR concerning employers in the district. This is a moderate, legislative task.

    b. Finding. Currently, establishments within a special district file a consolidated tax return. The DoR cannot identify the revenues transacted within the special district in order to establish the base or the annual increment.
    Recommendation. The Group recommends that the Legislature require companies, within a special district, filing a consolidated return to also file an informational return to ensure that the appropriate revenue is credited to the special district. This is a moderate, legislative task.

    c. Finding. Currently, the DoR does not provide the detail of captured revenues by entity to the special district. Without a detailed listing of submitting establishments, the special district has no ability to verify a distribution.
    Recommendation. The Group recommends that the Legislature authorize the DoR to provide detail of captured revenues to fiscal officer of the local legislative body that created the district once it gets a confidentiality waiver. This is a moderate, legislative task.

5. Map of Collection and Distribution Process. The following pages contain mappings done by the Group of (1) all of the special taxing districts taxes that follows all of the steps and formulas that apply from the time the taxes are collected until their final distributions; and (2) Marion County's distribution of local taxes for the stadium.


All Special Distributions (PSDA, CRED, CTP)
DOR
DOR annually receives district entity information from the district
Entities looked up and data pulled
RPS
Manual
Business reported tax amounts generated in the area?
YES
NO
Is SD location the only location for the business?
YES
NO
Derive "best information available"
YES
Exception Process
Extract tax amounts from RPS
RPS
Manual
Extract tax amounts from RPS
RPS
Manual
Enter reported amounts in Excel workbook
Excel
Manual
Split withholdings amounts into State vs. local based on adopted tax rate
Excel
Manual
Sum across all employers and subtract base period amounts
Excel
Manual
Compare to statutory annual limit
Compose and distribute memos
Cashiers prepares JV to transfer distribution amounts
State Budget Agency confirms JV / reconciles
DOR Revenue Accounting submits JVs
Email?
JVs send to Dan for payment
PeopleSoft
Upload
• Business in Special Districts inform DOR annually of their presence and location in the area
• If DOR does not receive information, districts will contact by DOR between 7/01 and 10/01
• Name, address, phone number, fed tax ID
• PSDA – need to check for specific statute requirements
using base year details and current remits in RPS
Standard memo detailing distribution amounts by tax Distribute to internal customers:
- State Auditor, DOR Revenue Accounting, District, State Budget Office
Monies moved from General Fund to LOIT fund which pays to CREC/CTP/ PSDA fund
Creating Base Line:
• Receive info from district (CRED or CPT)
• Who are businesses in your district? Get list.
• Are businesses in RPS?
• Get info from RPS
• If info is not in RPS, or if it is a consolidated filer, ask for more info
• Ask for specific breakdown of taxes for previous fiscal year certification of park
• Amounts derived from RPS or from taxpayer determine withholding in district.
Local Special District
General Assembly creates authority to create district (or entity to create distribution)
Enable legislation for tax district (local level entity)
CRED or PSDA?
Yes
No
Budget Agency for review
Budget Committee for review
CTP?
Indiana Economic Development Corp approves
Created Special District
Provide business list annually along with boundaries of the area to DOR (via e-mail)
Receive monthly memo via e-mail with distribution info
Receive distribution electronically
Allocated and distributed according to statute
Check with statute: Certified letter required?



Marion County Distribution of Local Taxes for Stadium
State Auditor
Monthly, query PS for Marion County Inkeepers Tax Fund, Marion County Food & Bev Tax Fund, Marion County Admissions Tax Fund, Marion County Supplemental Auto Rental Excise Fund, and each of Food & Beverage Tax Funds for counties surrounding Marion County
PeopleSoft
Copy & paste results into Excel
Excel
Calculate statutory distributions
Create voucher bill file for PS
Limited to $5M each year to IFA (IFA uses it for debt service on stadium)
Upload voucher bill file into PS to create vouchers (IFA, CIB, etc.)
PeopleSoft
Vouchers go through normal State Auditor AP process

Y. Watercraft Excise Tax.

Source: Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, *Indiana Handbook of Taxes, Revenues, and Appropriations*, pgs. 115-118 (Fiscal Year 2011).

1. Statutory Authority. Ind. Code § 6-6-11.

2. Taxpayer. Owners of motorized boats and sailboats.

3. Tax Base. The boat's base or factory-advertised delivered price and year of manufacture.

4. Tax Rate. The amount of boat excise tax that a boat owner pays for a boating year is based on the boat's class and age. Motorized boats and sailboats are classified for excise tax purposes according to the value of the boat when the boat was new.

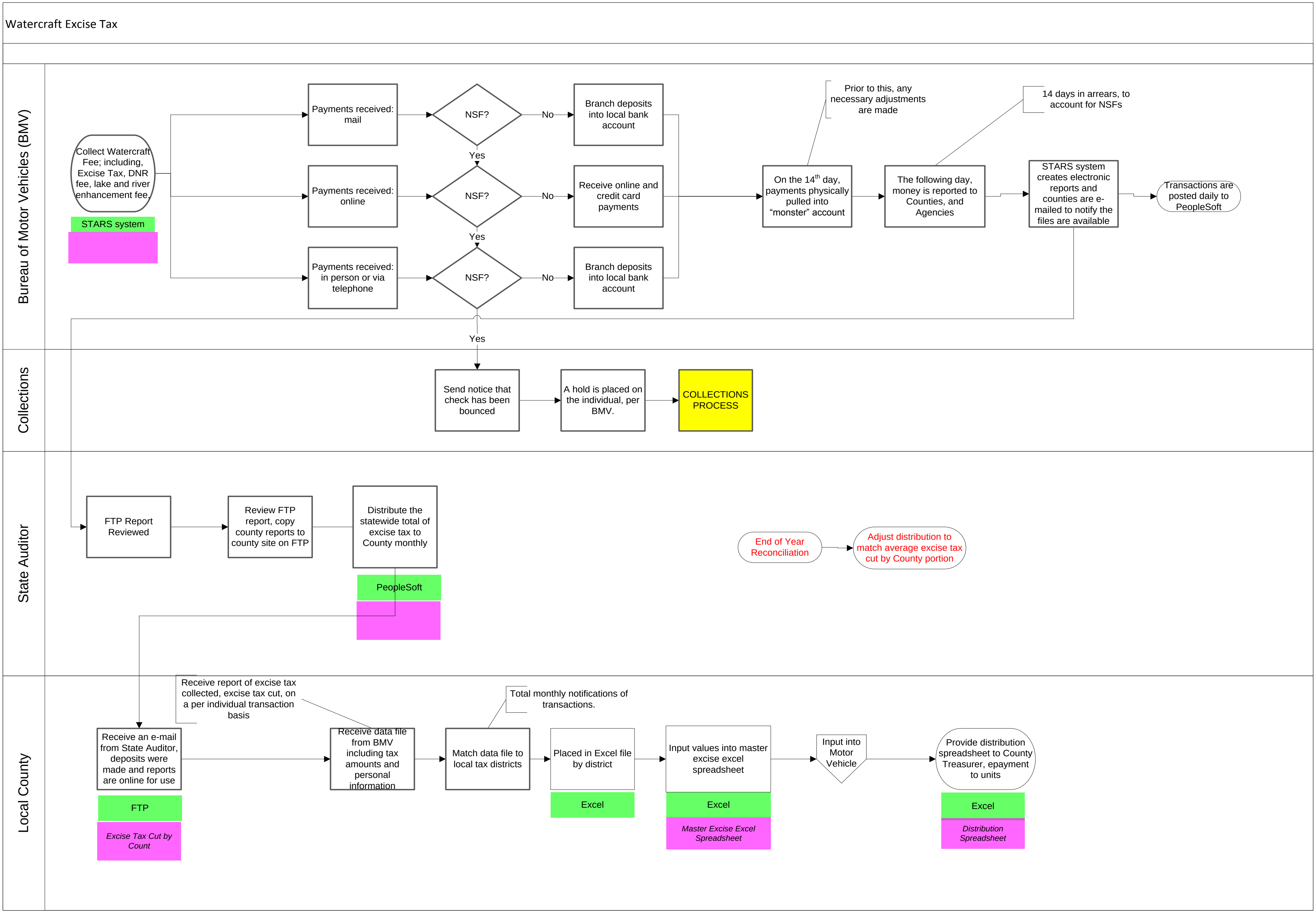
5. Procedure. A boat owner must pay the boat excise tax, the Department of Natural Resources' fee, and the Lake and River Enhancement Fee for a boating year to the BMV. The tax and fees must be paid at the same time that the boat owner pays or would pay the registration fee and motor vehicle excise taxes on motor vehicles under IC 9-18 and IC 6-6-5. On or before the tenth day of each month, the auditor of state distributes to each county the excise tax collections, including delinquent tax collections, for the county for the preceding month. The auditor includes a report with each distribution showing the information necessary for the county auditor to allocate the revenue among the taxing units of the county. The auditor of state deposits the revenue from the lake and river enhancement fee in the lake and river enhancement fund.

6. Local Distribution. The county auditor receives the report of distributions from the AOS prepares a report of distribution (manual process) for the county treasurer to make the specified distributions to local units of government within the county.

7. Authorization. Indiana General Assembly.

8. Administration. BMV and AOS at the state level. County Treasurer and County Auditor at the local level.

9. Map of Collection and Distribution Process. The following page contains a mapping of the Watercraft Excise Tax that follows all of the steps and formulas that apply from the time the tax is collected until its final distribution.


Watercraft Excise Tax
Bureau of Motor Vehicles (BMV)
Collect Watercraft Fee; including, Excise Tax, DNR fee, lake and river enhancement fee.
STARS system
Payments received: mail
Payments received: online
Payments received: in person or via telephone
NSF?
No
Yes
Branch deposits into local bank account
Receive online and credit card payments
Prior to this, any necessary adjustments are made
On the 14th day, payments physically pulled into "monster" account
14 days in arrears, to account for NSFs
The following day, money is reported to Counties, and Agencies
STARS system creates electronic reports and counties are e-mailed to notify the files are available
Transactions are posted daily to PeopleSoft
Collections
Send notice that check has been bounced
A hold is placed on the individual, per BMV.
COLLECTIONS PROCESS
State Auditor
FTP Report Reviewed
Review FTP report, copy county reports to county site on FTP
Distribute the statewide total of excise tax to County monthly
PeopleSoft
End of Year Reconciliation
Adjust distribution to match average excise tax cut by County portion
Local County
Receive report of excise tax collected, excise tax cut, on a per individual transaction basis
Total monthly notifications of transactions.
Receive an e-mail from State Auditor, deposits were made and reports are online for use
FTP
Excise Tax Cut by Count
Receive data file from BMV including tax amounts and personal information
Match data file to local tax districts
Placed in Excel file by district
Excel
Input values into master excise excel spreadsheet
Master Excise Excel Spreadsheet
Input into Motor Vehicle
Provide distribution spreadsheet to County Treasurer, epayment to units
Distribution Spreadsheet

IV. SUMMARY OF MEETINGS.

A. May 22, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 126. David Reynolds, Chairman of the Group, provided the welcome and introductions. Jay Collins, Deputy Budget Director of the SBA, did a status update on the DoR audit. The Group established a list of local taxes to review. The Group established a four-step format for that review as follows: (1) map the current process; (2) compare current process to Indiana statutes; (3) identify short-term opportunities for improvement in process; and (4) map the ideal process identifying long term opportunities for improvement. Tera Klutz, representative of the AIC, and Bob Lain, Assistant Director of the SBA, discussed local income tax collection and distribution. Mr. Lain reviewed (1) the final reconciliation of the updated 2011 and 2012 state and LOIT certified distribution and (2) the initial estimated 2013 LOIT certified distribution. The Group discussed other business and set the date for its next meeting.

B. June 12, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome and introductions. The Group discussed the list of local taxes for review. The Group mapped the LOITs. The Group discussed other business and set the date for its next meeting.

C. June 25, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome and introductions. The Group mapped the Motor Vehicle Excise Tax. The Group discussed other business and set the date for its next meeting.

D. July 12, 2012. The Group met at 1:00 p.m. at the Indiana State House, Room 156-D. Chairman Reynolds provided the welcome and introductions. The Group mapped the Alcoholic Beverage Tax, Cigarette and Tobacco Products Tax, and Gasoline Tax. The Group discussed other business and set the date for its next meeting.

E. July 30, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome and introductions. Mr. Mendez facilitated the Group in reviewing the maps of the LOITs, Motor Vehicle Excise Tax, Cigarette and Tobacco Products Tax, and Gasoline Tax. Mr. Mendez facilitated the Group in completing the maps for the Motor Vehicle Excise Tax, Cigarette and Tobacco Tax, and Gasoline Tax, adding non-DoR flows. The Group started mapping the Aircraft License Excise Tax, Alcohol Beverage Tax, other tobacco products, and Motor Vehicle Surcharge Tax. The Group discussed other business and set the date for its next meeting.

F. August 14, 2012. The Group met at 1:30 p.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions in regards to the maps. The Group completed maps for County Motor Vehicle Excise Surtax, Motor Vehicle Excise Tax, County Wheel Tax, Cigarette and Tobacco Products Tax, Gasoline Tax, Special Fuel Tax, Alcohol Beverage Tax, and Hazardous Waste Disposal Tax. The Group started maps for the Inheritance Tax, FIT, Food and Beverage Tax, Innkeeper's Tax, and Auto Rental Excise Tax. The Group discussed other business and set the date for its next meeting.

G. August 27, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group completed maps for the Gasoline Tax, Special Fuel Tax, Alcoholic Beverage Tax, Hazardous Waste Disposal Tax, and Watercraft Excise Tax. The Group started maps for the Motor Carrier Surcharge Tax, Inheritance Tax, FIT, Food and Beverage Tax, Innkeeper's Tax, and Auto Rental Excise Tax. The Group discussed other business and set the date for its next meeting.

H. October 3, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group mapped the Alcoholic Beverage Permits, Hazardous Waste Disposal Tax, Food and Beverage Tax, other tobacco products (pension relief distribution) tax, Innkeeper's Tax, and Auto Rental Excise Tax. The Group discussed other business and set the date for its next meeting.

I. October 16, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group mapped the DoR's LOIT processes and the State Budget Agency's annual reconciliation of LOIT collections to distributions and balance calculations. The Group discussed other business and set the date for its next meeting.

J. October 22, 2012. The Group met at 1:00 p.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group mapped the Innkeeper's Tax, Auto Rental Excise Tax, Professional Sports and Convention Development Areas, Certified Technology Parks, Community Revitalization Enhancement Districts, Riverboat Admissions Tax, Riverboat Wagering Tax, County Slot Machine Wagering Fee, and Pari-Mutuel Admissions Tax. The Group discussed other business and set the date for its next meeting.

K. September 4, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group completed maps for the Alcohol Beverage Tax, Hazardous Waste Disposal Tax, and Watercraft Excise Tax. The Group continued mapping the Inheritance Tax, FIT, Food and Beverage Tax, Innkeeper's Tax, and Auto Rental Excise Tax. The Group discussed other business and set the date for its next meeting.

L. September 24, 2012. The Group met at 1:00 p.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group continued mapping the Inheritance Tax, FIT, Food and Beverage Tax, Innkeeper's Tax, and Auto Rental Excise Tax. The Group discussed other business and set the date for its next meeting.

M. November 9, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group reviewed outstanding issues and questions regarding the current maps. The Group mapped the Riverboat Admissions Tax, Riverboat Wagering Tax, County Slot Machine Wagering Fee, Pari-Mutuel Admissions Tax, Marion County distribution of local taxes for stadium, Recreational Vehicle and Truck Camper Excise Tax, state recapture of the Motor Vehicle Excise Tax, CVET, FIT, and LOIT trust fund balance report. The Group discussed issues and concerns with current state processes and procedures. The Group discussed other business and set the date for its next meeting.

N. November 19, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-B. Chairman Reynolds provided the welcome. The Group crafted the "Parking Lot Issues Matrix" (*see* Appendix), highlighting issues, concerns, the modes to address such issues and concerns, and the Group's recommended actions for improvement in regards to the Aircraft License Excise Tax, Alcohol Beverage Tax, Cigarette and Other Tobacco Products Taxes, Financial Institutions Tax, Food and Beverage Tax, Hazardous Waste Disposal Tax, Inheritance Tax, Innkeeper's Tax, Motor Vehicle Excise Tax, Watercraft Excise Tax, pension relief, and special taxing districts. The Group discussed other business and set the date for its next meeting.

O. November 26, 2012. The Group met at 10:00 a.m. at the Indiana State House, Room 156-A. Chairman Reynolds provided the welcome. The Group continued to craft the "Parking Lot Issues Matrix" (*see* Appendix), highlighting the issues, concerns, the modes to address such issues and concerns, and the Group's recommended actions for improvement in regards to the LOIT. The Group discussed other business and set the date for its next meeting.

P. December 7, 2012. The Group met at 1:00 p.m. at the Indiana State House, Room 156-A. Chairman Reynolds provided the welcome and the Group members and visitors introduced themselves. The Group discussed its findings and recommendations for the LOIT collection and distribution processes. Chairman Reynolds discussed the state revenue forecast process. The Group came to a consensus on its findings and recommendations for the LOIT collection and distribution processes. The Group adjourned.

APPENDIX

Parking Lot Issues Matrix

Aircraft License Excise Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
The DoR sends a $0 allocation e-mail to local units.	Local units did not know whether they receive an allocation.	Recommendation	1	Administrative	The DoR is already doing - can implement this immediately.
Centralized notification and data on secure web site	Local units do not need to receive individual emails when central notification is possible.	Recommendation	2	Administrative	FTP site already exists, but major modifications need to be made, including up-front labor to people currently occupied. The DoR can do this – should mirror what the BMV is doing.

Alcohol Beverage Tax / Cigarette and Other Tobacco Products Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Improve communication between the ATC and DoR on new permits and past due bills	No communication between the ATC and DoR on outstanding dollars due for alcohol permits. This allows the DoR to take away permits where it currently cannot.	Recommendation	2	Legislative	Wherever feasible, the DoR should be given the authority to intercept tax refunds to provide leverage to other agencies in the collection of their past due bills.
The DoR electronic accounting system for alcohol tax receipts	Current system is inadequate. This is one of many taxes that require its own stand-alone system. Having several different manual systems provides opportunities for errors.	Finding	3	Administrative	To the extent feasible, the DoR should investigate the possibility of developing a comprehensive system solution.
Refunds on alcohol and OTP	When the DoR gets refund claims, they are paid from the state general fund. The general fund is never reimbursed by the original revenue source. The general fund should not be paying for the loss from those refunds, the tax collections should be netted against refunds.	Finding and Recommendation	2-3	Administrative and Legislative	Refunds provided should be credited back to the original funds that the original receipts were received from.
The ATC manually inputs receipt of collections	Manual input may cause errors.	Recommendation	2	Administrative	The ATC should look at ways to electronically input receipts of collections.
Use GIS to identify ATC permits	Tying an address to the parcel and PIN numbers would consolidate information and provide more accuracy.	Finding and Recommendation	3	Administrative and Legislative	The ATC should look into tying addresses to existing information using GIS.
The ATC should include statute citation telling counties why they are receiving funds	Local units receive Automated Clearing House (ACH) transactions from the state without knowing the purpose of the transaction.	Recommendation	1	Administrative	The ATC should include a remark on the ACH remittance form telling local units the reason they are receiving the funds.
The ATC should use locality codes in PeopleSoft to track revenues/ disbursements	Revenues are not tracked using the state's current system.	Recommendation	1	Administrative	Not just for ATC, but all agencies should use the current accounting system to the highest extent possible.
Check statute on the ATC permits as it relates to counties distribution by population	The ATC does not double-check the number of permits allowed to the number it has and where money should go locally (unincorporated vs. incorporated areas).			Legislative	Need to understand process better. Policy question – (look at statute)

Financial Institutions Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
The quarterly report that is filed w/ the DoR is manually entered into the RPS	Manual input may cause errors.	Recommendation	2	Administrative	Look for ways to do electronic transmission of data.
A validation of whether the taxpayer should be filing under FIT or Corporate when filing quarterly return	Estimated payments paid by corporate taxpayers are self identifying whether the taxpayer is to be taxed as a corporation or as a financial institution. If taxpayer incorrectly indentifies themselves the revenue is credited to the wrong account. The error is not caught until audited by the DoR.	Recommendation	2-3	Administrative	In short term, improve taxpayer awareness. In long term, the DoR should modify INtax to self-check when taxpayer enters his or her own information.
The AOS is never able to meet the statutory February distribution, review distribution dates	Distribution usually happens in May and November.	Recommendation	1	Legislative	Deadline should be changed to May and November.
Statute requires a supplemental distribution of FIT if the DoR estimates a surplus (IC 6-5.5-8-2(d))	The DoR does not estimate.	Recommendation	1-2	Administrative, and then legislatively	The DoR should begin estimating revenues. A legislative change is recommended to base the estimate on the collections from the prior fiscal year.

Food and Beverage Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Use GIS to identify entity submitting taxes	Without an accurate location of the establishment, the distribution is affected, hard to track, and data differs from state and locals.	Finding/ Recommendation	2	Administrative	Look into using the state's current GIS system to track entities.
Local units cannot get a detailed listing of payers	Without a detailed listing of submitting establishments, the local units have no ability to verify the distribution.	Recommendation	2	Administrative	The DoR is currently conducting a pilot in Allen County with the Innkeeper's Tax.

Hazardous Waste Disposal Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
The DoR should interface with the IDEM	IDEM enforces the regulations and DoR collects the tax. Without appropriate interactions errors may occur.	Recommendation	1	Administrative	The DoR and IDEM are discussing the appropriate level of interaction and both agencies should consider returning the collection to IDEM.

Inheritance Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
The DoR does not accept electronic mail from local units	It is tough to track certificates that are mailed – often counted twice. Locals want to email certificates to save on postage, like is done between agencies at the state level.	Recommendation	1	Administrative	The DoR needs to investigate opportunities to enhance and simplify the methods of communications between themselves and local units.

Innkeeper's Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Local units cannot get a detailed listing of paying establishments.	Without a detailed listing of submitting establishments, local units have no ability to verify the distribution.	Recommendation	2	Administrative	The DoR is currently conducting a pilot in Allen County with the Innkeeper's Tax.

Local Option Income Taxes

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Counties' ability to change tax rate after SBA certification	Counties cannot change their tax rates until Nov. 1 (statutory) after certified distributions are calculated (Aug. 2 deadline for SBA) and the tax vendors have been notified of county rates for software purposes (DoR does in November).	Recommendation		Administrative and Legislative	Change the statutory tax rate deadline for local units to adopt a new LOIT rate prior to Sept. 1 and notify the DoR by Sept. 1. Keep current effective date of one month later (Oct. 1).
Quarterly reporting to counties of withholdings, estimated payments, etc… (currently doing this)	Currently the DoR provides this information (WH-1s). However, the reports are not completely accurate because they are dependent upon employers submitting accurate information and some employers are reluctant to do so.	Recommendation		Administrative	The DoR could put a disclaimer on its reports that states that the information provided to local units is only accurate to the extent of the accuracy of employer providing the information on the submitted WH-1.
Use chart of accounts in PeopleSoft accounting system to track					All agencies should use PeopleSoft to full extent appropriate.
Special distribution limitation of 150%					
Reconciliation of withholdings to local units					
Locals receive the DLGF certification numbers electronically	The certification is in Adobe (.pdf), so local units must manually re-enter into own spreadsheet.	Recommendation		Administrative	Send certification numbers electronically in excel
Local auditors are required to submit their certification to local units by Aug. 1 (same as SBA certification requirement)	Internal dilemma				Date should be post-SBA certification
Develop a manual for county officials – including a template for county use for ordinance adjusting or creating LOIT rate	Rather than giving specific option they selected – give you all of the options	Recommendation		Administrative	Provide more communication and guidance to local units on how they should submit to state and to ensure everyone has the same information. Need better communication both ways. The DoR should reach out to locals – list different things so locals know what to do with them. The SBA and DoR will work together to do this. Should also include DLGF, State Board of Accounts, and Auditor of State.
Notification to form vendors if county changes rate after vendor is certified	Counties can change tax rate up to Nov. 1. This creates opportunities for errors and changing of process.			Legislative	Should back off Dec. 1 certification date. Local units should adopt new rates and make notification that rates changing by Sept 1. This increases accuracy on tax form. This can be made effective no earlier than Oct. 1. For units that want to account for current year distribution, they should adopt new rates by Nov. 1, notify by Dec. 1, and the effective date should be Jan. 1 (this is current law???)
Initial submission of payment by employer is not distinguishable by state (submission is sent in the aggregate not by individual)	Current system does not allow detailed tracking (similar to tracking and reconciling issue below).				
Separate cash payments to appropriate local units' trust balance report	Current system does not allow detailed tracking (similar to tracking and reconciling issue below).				
Handling of special distributions on trust balance reports?	General fund pays what was already paid (paid twice). Issue of distributions based upon return vs. actual collections.			Legislative	

Other LOIT Issues:

Tax credits

Tracking & Reconciling. Tracking withholdings that are never reconciled against a return -local units would like a percentage of these collections. Similar issue to how refunds are paid completely out of the total pot and not netted against local collections/distributions. This would require a system change because the current system does not allow this detailed level of tracking for employers and employees.
Overall report may recommend system change to address withholding issue (Susan and Tera will work on this). A current action the group recommend is that the state revenue technical committee could estimate over the biennium for each county the estimated local income tax collections (prior year processed amount). A different current action the group could recommend is for current year collections (based on returns not withholdings) to be the distribution on a month by month basis. look into what other states do.

Motor Vehicle Excise Tax / Watercraft Excise Tax

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Utilization of STARS system (BMV System) for allocation of excise tax. A local auditor manually looks up address and assigns motor vehicle excise revenue to tax district	Counties are required to distribute MV excise dollars based on the tax district of the registered motor vehicle. The location information is provided by the BMV and the counties are spending considerable time locating the tax district.	Recommendation	3	Legislative	BMV should investigate their ability to standardize and validate the addresses and locations of all persons registering motor vehicle prior to submitting the information to the counties.
Electronic submission of disabled veterans' excess property tax deduction	Current process is paper driven which adds administrative time and effort and is capable of error.	Recommendation	3	Administrative	The BMV should investigate the creation of a secure electronic process for the transfer of this information
Use individuals' tax refund to offset MV registration NSF or block other professional licenses	Current process is for BMV to provide motor vehicle registration without knowing whether the individual's personal check will clear the bank.	Recommendation	2	Administrative/ Legislative	The State should consider granting the authority to verify the motor vehicle registration fees are current prior to issuing a tax refund, providing a professional license, etc.
Population isn't updated for county wheel tax for annexation unless city requests to census bureau for restatement of population	Population numbers, used for distribution, may not be updated because the city failed to request a restatement.	Finding			It is the local unit's obligation to update population.
State Auditor's involvement in boat excise distribution and education plates	The entire process of collection and distribution is handled by BMV, other than excise distributions and education plates.	Recommendation	1	Legislation	BMV should prepare information for distribution of funds and enter into PeopleSoft instead of the AOS.
The recapture rates for motor vehicle excise for the State are fixed	Over time the relationship between tax rates within a unit changes but the state recapture tax rate remains constant.	Recommendation	2	Legislative and Administrative	The AOS should recalculate the appropriate state share for recapture whenever there is a new taxing district.
Online exchange with locals for updates on center line miles	The current process of transferring data between INDOT and local units is a manual process, which is susceptible to error.	Recommendation	1	Administrative	INDOT should investigate the possibility of establishing an online or electronic communication process with local units.

Pension Relief

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Timing of distribution versus the payment by the local unit to the INPRS?					

Special Taxing Districts

Issue	Concern	Finding/ Recommendation	Effort	Administrative/ Legislative	Recommended action
Statutory requirement for special districts to provide the DoR with annual details concerning employers in the district	No statutory requirement that districts give the DoR updates. Districts should be sharing this information with the DoR to save time for the DoR.	Recommendation	2	Legislative	Add statutory requirement for districts to provide annual updates to the DoR.
Require entities within a special district that file a consolidated return with the DoR to report to the DoR appropriate details based on the activity within the district	Currently, establishments within a special district can file a consolidated tax return. From such a return, the DoR cannot identify the revenues transacted within a special district in order to establish the base or the annual increment.	Recommendation	2	Legislative	Require companies, within a special district, filing a consolidated return to also file an informational return to ensure that the appropriate revenue is credited to the special district.
The DoR should provide detail of captured revenues by establishment to district (may need confidentiality waiver)	Without a detailed listing of submitting establishments, the special district has no ability to verify the distribution.	Recommendation	2	Legislative	Authorize the DoR to provide detail of captured revenues once it gets a confidentiality waiver to fiscal officer of local legislative body that created the district.